

City of Madison, Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2004**

Prepared by:

Finance Department



City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2004

Table of Contents

	Page No.
INTRODUCTORY SECTION - PART I	
Letter of Transmittal	iv
Organizational Chart	ix
List of Elected Officials, Appointed Officials and Department Heads	x
 FINANCIAL SECTION - PART II	
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities ...	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Water Distribution and Storage Project Fund	21
Notes to Financial Statements	22
Required Supplementary Information:	
Schedule of Funding Progress - Employees' Retirement Systems of Alabama ...	56
Combining and Individual Fund Statements and Schedules:	
Nonmajor Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	59
Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Special Revenue	62

**City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2004**

Table of Contents (continued)

	Page No.
Special Revenue Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Gasoline Taxes and Inspection Fees Fund	63
TVA Tax Distribution Fund	64
Senior Center Donation Fund	65
Library Fund	66
Correctional Fund	67
Municipal Government Capital Improvement Fund	68
Cemetery Fund	69
Domestic Violence Fund	70
Combining Balance Sheet - Nonmajor Governmental Fund - Debt Service	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Debt Service.....	74
Debt Service Funds:	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
1995 Bond Fund	75
1998-A Bond Fund	76
1998-B Bond Fund	77
1998-C Bond Fund	78
1999 Bond Fund	79
2000 Bond Fund	80
2001 Bond Fund	81
2001-A Bond Fund	82
2002 Bond Fund.....	83
Combining Balance Sheet - Nonmajor Governmental Funds – Capital Projects	85
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Capital Projects	86

**City of Madison, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2004**

Table of Contents (continued)

	Page No.
Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Source	88
Schedule by Function and Activity	89
Schedule of Changes by Function and Activity	90
 STATISTICAL SECTION - PART III	
Government - wide Expenses by Function	92
Government - wide Revenues by Source	93
General Governmental Expenditures by Function	94
General Governmental Revenues by Source	95
General Governmental Tax Revenues by Source	96
Property Tax Levies and Collections	97
Principal Taxpayers	98
Computation of Legal Debt Margin	99
Ratio of General Obligation Bonded Debt to Assessed Value and General Obligation Bonded Debt Per Capita	100
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	101
Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds	102
Demographic Statistics	103
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards....	104
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in accordance with OMB Circular A-133.....	106
Schedule of Expenditures of Federal Awards.....	108
Schedule of Findings and Questioned Costs.....	110





City of

MADISON, *Alabama*

INC. 1869

March 30, 2005

To the Honorable Mayor,
Members of the Governing Council, and
Citizens of the City of Madison:

The Comprehensive Annual Financial Report of the City of Madison, Alabama, (the City) for the fiscal year ended September 30, 2004, is hereby submitted for your review and information. Responsibility for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Madison management. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the City as measured by the financial activity of the various funds of the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections:

1. **Introductory Section** – includes this letter of transmittal, primary government's organizational chart and a list of the City's elected officials, appointed officials and department heads.
2. **Financial Section** – includes the Management Discussion and Analysis (MD&A), the basic financial statements for the primary government and its separately presented component units and the primary government's combining and individual fund statements and schedules, as well as the independent auditors' report on the financial statements and schedules. The financial statements contained herein are in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The MD&A contains a narrative, introduction, overview, and analysis to accompany the City's financial statements and this letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

3. **Statistical Section** – includes selected financial and demographic information about the City; generally on a multi-year basis. The statistical section has not been audited.

Profile of the City

The City was incorporated in 1869, and is located in the western part of Madison County in the state of Alabama. The City has a land area of 25 square miles and serves a population of 34,529. The City of Madison is empowered to levy taxes on real and personal property located within its boundaries. The City also has the power to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City has operated under the Mayor-Council form of government since 1989. The City is governed by a City Council consisting of seven council members. Members of the City Council serve on a part-time basis. The Mayor and City Council members are elected to four-year terms. The Mayor is elected at large and the seven Council members are elected from within their respective districts. City Council is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing committees and hiring the City Clerk-Treasurer, Police Chief and Fire Chief. The Mayor is responsible for carrying out the policies, resolutions and ordinances of the City Council, managing the daily activities of the City government and hiring the heads of the City's departments. The City's departments include:

General Administration	Finance
Police	Human Resources
Public Work	Mayor's Office
City Clerk	Revenue
Recreation	Engineering
Fire	Senior Center
Community Development	Information Technology
Court	Legal
City Council	

The departments, which include approximately 320 employees, provide a full range of quality and cost effective public services.

Madison City Board of Education provides elementary and secondary educational services within the City. Madison City Board of Education is a component unit of the City and the financial activities of Madison City Board of Education are reported separately within the City's financial statements.

Budget. The annual budget is a financial plan for the fiscal year that contains both the estimated revenues to be received during the year and the proposed expenditures to be incurred to achieve stated objectives.

State law requires that the City Council appropriates the sums necessary for the expenditures of the city departments and for the interest on municipal indebtedness, and that the City Council appropriates in the aggregate an amount in excess of its annually authorized revenue. The legal level of budgetary control is the department level.

State law makes the Mayor the chief executive in charge of municipal administration. The Mayor ensures that the budget is prepared for presentation to the City Council in ample time for consideration and adoption before October 1. Prior to the established date of submission of the proposed budget to the City Council, the Mayor, Finance Department and Department Heads hold conferences to ensure that the proposed budget is balanced within total estimated income as required by state law.

The budget preparation is coordinated through the Mayor's Office and the Finance Department. Each department receives a budget preparation package that includes budget schedule, budgetary guidelines, forms, instructions and current year-to-date budget-to-actual budget reports.

Department heads are responsible for preparing and submitting their appropriation requests according to the budget schedule.

The Revenue Department prepares revenue estimates based on historical data and other available data. The objective of the City is to estimate revenues as accurately as possible to allow use of all available funding.

The Mayor submits a proposed budget to the City Council Finance Committee. This document is submitted to the City Council Finance Committee for review and recommendations. This committee holds meetings with the Finance Department, Mayor, and Department Heads, as required, to review the proposed budget.

The City Council Finance Committee makes recommended changes to the proposed budget. The Finance Department consolidates all changes in the budget report. The proposed budget is submitted to the City Council for work sessions. After all scheduled work sessions have been conducted; the proposed budget is presented to the City Council at a regular council meeting for a public hearing and consideration for adoption.

The budget requires continuous monitoring and occasional revisions that reflect changing operational developments. A revision that causes a net change in the overall budget requires approval of the City Council. A revision that redistributes appropriated funding within a department to different line items does not require the approval of the City Council.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 19 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 58.

Factors Affecting Financial Condition

Local Economy and Outlook. The City continues to grow in its residential, business and commercial areas. The residential area remains strong due to the growing population and recent expansions of local companies. The City's high-tech industries provide residents with some of the highest salaries in the Southeast. The median family income for the City is reported to be \$63,849.

Major industries with headquarters or divisions located within the City's boundaries or in close proximity add to the local economy's steady growth. New jobs in the commercial and manufacturing markets have contributed to the City's stability and have added to the growing industrial base of the region.

The City continues to seek new development and redevelopment opportunities. Efforts to expand the development of the property along Madison Boulevard and Highway 72 corridors will continue. These corridors are gateways to the City and they are expected to grow with more retail businesses, office projects, warehouses and light industrial companies, businesses, and restaurants. These are two prime growth areas of the City.

Long-term Financing Planning. The City's capital improvements program currently contains \$5,944,008 of funded projects. These projects consist of building and facilities, parks and recreation, and infrastructure. The building and facilities projects include improvements to city hall and downtown development. The parks and recreation projects include a Japanese Garden, Greenway Trails, concession stand, and improvements to the entrance at Palmer Park. The infrastructure improvements include sidewalks, streets, intersections, and drainage. Funding for these projects is from bond proceeds. The new fire station will result in ongoing costs for personnel and operations. These costs will be funded in the general fund. The costs for maintenance of the streets will be funded by the gasoline taxes.

The City has identified additional projects for consideration for the capital improvements program. They are currently listed in the capital improvements program as un-funded projects. These un-funded projects include a new public works facility, a new senior center, expansion of Hughes Road, renovations for city hall, and improvements to Dublin and Palmer Parks. As soon as all the funding sources are identified, these projects will become part of the funded projects in the capital improvements program.

Cash Management Policies and Practices. The adopted fiscal policy enables the City to continue to obtain the highest investment returns with the maximum security. All funds are invested in securities or other obligations authorized for municipal investment by Alabama Code 11-81-19 through 21. The policy provides for retaining sufficient cash on hand to meet the daily cash flow demands. The investment policy is very conservative and details specific collateral and safekeeping requirements. Investment earnings for the year for all governmental funds are \$130,950.

Risk Management. The City has included risk management in the Human Resources and City Clerk Departments. These departments administer all insurance programs of the City. The City is a member of Alabama Municipal Insurance Corporation. As a member of the Alabama Municipal Insurance Corporation, the City is provided protection in the areas of comprehensive general liability, auto liability, law enforcement, and officials' liability coverage. Premiums are paid based on coverage.

The City is an active participant in the Municipal Workers' Compensation Fund, Inc., (MWCF). MWCF, Inc., provides medical and indemnity payments to workers injured while performing their duties for the City. Premiums are paid based on the City's past claims history.

Although insurance is used for risk financing, some loss exposures are retained by the City and paid for out of the operating budget.

Pension and Other Post Employment Benefits. The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City is affiliated with the Employees' Retirement System of Alabama, an agent multiple-employer pension plan administered by the Retirement Systems of Alabama. State law assigns the authority to establish and amend the benefit provisions of the plans that participate in the plan to the respective employer entities.

Additional information on the City's pension arrangement may be found in Note 5 in the financial statements.

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Madison, Alabama, for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2002. This was the third year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only.

Acknowledgements. The preparation of this comprehensive annual financial report could not have been achieved without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to each member of the Department and to those members of other City departments who made contributions to the preparation of this report. I would also like to thank the Mayor and the City Council for their support for planning and conducting the operations of the City in a responsible and progressive manner.

Acknowledgment is given to the representatives of MDA Professional Group, P.C., for their invaluable assistance in producing this financial report.

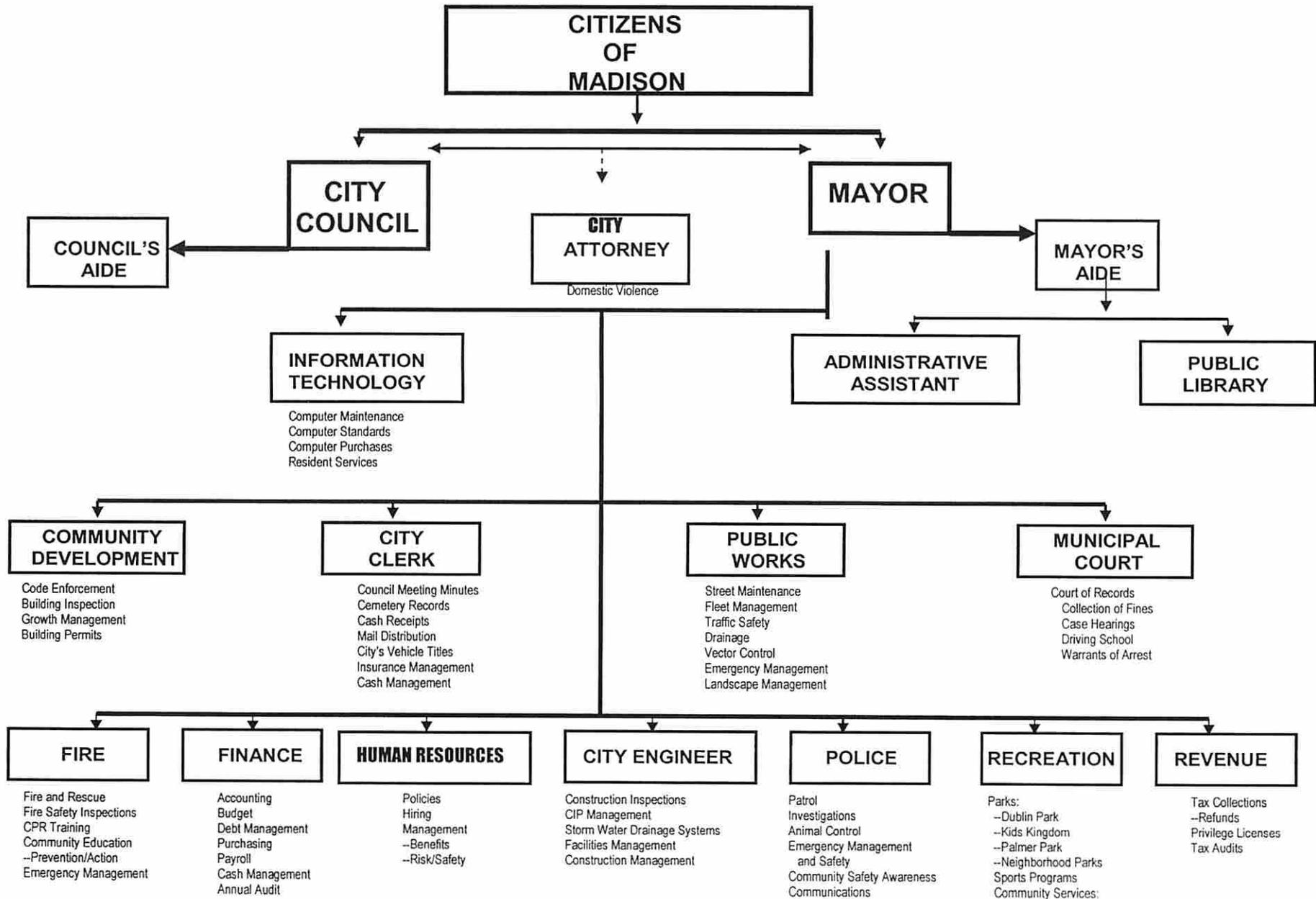
Respectfully submitted,

Lillie M. Causey
Director of Finance



CITY OF MADISON, ALABAMA

ORGANIZATIONAL CHART





CITY OF MADISON, ALABAMA
List of Elected Officials, Appointed Officials, and Department Heads
September 30, 2004

Elected Officials

Mayor	Janet I. Wells
Council Member – District One	Cynthia N. McCollum, President Pro Tem
Council Member – District Two	David Buschmann, President
Council Member – District Three	Ray Stubblefield
Council Member – District Four	Jim Reagan
Council Member – District Five	Marc Jacobson
Council Member – District Six	Larry Vannoy
Council Member – District Seven	Bob Wagner

Appointed Officials

Mayor's Aide	Michele Miller
City Council Aide	Andrea Garrett

Department Heads

Police Chief	Daniel Busken
Public Works Director	Skip Adkins
City Clerk-Treasurer	Allison Akins
Recreation Director	Mike Cassell
Fire Chief	Ralph Cobb
Community Development Director	Bob Atallo
Court Clerk	Rick Honea
Finance Director	Lillie Causey
Human Resources Director	Terri Towry
Revenue Department Director	Cameron Grounds
City Engineer	Jo Somers
Information Technology Director	David Costley
City Attorney	Anne-Marie Lacy



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT



MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Madison
Madison, Alabama

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Madison, Alabama's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Water and Wastewater Board of the City of Madison and the Madison Board of Education, which statements reflect total assets of \$119,435,644 and \$97,974,821, respectively, as of September 30, 2004, and total revenues of \$12,745,071 and \$49,743,435, respectively, for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water and Wastewater Board of the City of Madison and the Madison Board of Education, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Madison, Alabama as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Honorable Mayor and City Council
City of Madison
Page two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2005 on our consideration of the City of Madison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Madison, Alabama's basic financial statements. The Combining Fund Statements and Other Supplementary Information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This information is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Statistical Data section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Huntsville, Alabama
March 30, 2005

MDA Professional Group, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Madison, Alabama, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv - viii of this report.

FINANCIAL HIGHLIGHTS

- The liabilities of the City exceeded its assets at the close of fiscal year 2004 by \$58,883,344 (net assets).
- Total net assets increased \$8,820,626 in fiscal year 2004.
- As of September 30, 2004, the City's governmental funds reported combined ending fund balances of \$8,884,850, a decrease of \$2,599,078 from the prior year. Approximately \$1,759,800 of the fund balance is unreserved and available to finance the activities of the governmental funds. The remainder is reserved to meet existing obligations.
- At the end of the current fiscal year, unreserved fund balance for the general fund is \$1,555,491, or 6.30 percent of total general fund expenditures. This amount represents 9.23 percent of the general fund revenues at the end of the fiscal year.
- The City's total debt decreased by \$2,681,158 during the current fiscal year. New debt of \$610,000 was issued during fiscal year 2004, for capital leases to finance the purchases of capital equipment.
- The City's total capital assets increased by \$10,031,164 over the prior year. Approximately \$5,918,000 was attributable to infrastructure.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Madison's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Madison's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the government's assets and liabilities, with the difference between the two reported as net assets. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business type activities). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreational activities. The City of Madison has no functions that are classified as business type activities.

As described in the notes to the financial statements, other entities' activities are included in the government-wide financial statements because of the relationship of these legally separate entities to the City. Financial information of the Water and Wastewater Board and the Madison Board of Education are collectively referred to in the financial statements as *discretely presented component units*. This discussion and analysis focuses on the primary government. Refer to Note A regarding the availability of separately issued component unit financial statements.

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Madison, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The City has one type of fund:

1. *Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near - term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Madison maintains twenty-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in

the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, water distribution fund, and capital improvement fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements, which can be found beginning on page 58 of this report.

The City of Madison adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 17 through 21 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 54 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City of Madison's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. Overall, the City's liabilities exceed the assets by \$58,883,344 at the close of the fiscal year.

The City's net assets reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MADISON'S NET ASSETS

	<u>Governmental Activities</u>
Current and other assets	\$ 17,915,254
Capital assets	<u>34,636,604</u>
Total assets	<u>52,551,858</u>
Long term liabilities outstanding	106,785,846
Other liabilities	<u>4,649,356</u>
Total liabilities	<u>111,435,202</u>
Net assets:	
Invested in capital assets, net of related debt	22,619,851
Restricted	8,912,225
Unrestricted (deficit)	<u>(90,415,420)</u>
Total net assets (deficit)	<u>\$(58,883,344)</u>

Governmental Activities. The detail of the governmental activities are as follows:

CITY OF MADISON'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 3,867,795
Operating grants and contributions	462,353
Capital grants and contributions	7,551,944
General revenues:	
Property taxes and payments in lieu of taxes	4,363,486
Other taxes	12,682,821
Other	<u>4,653,334</u>
Total revenues	33,581,733
Expenses:	
General Administration	1,498,013
Police protection	3,792,077
Public Works	3,195,581
City Clerk	497,313
Recreation	1,722,553
Fire	3,083,500

Community Development	670,844
Court	782,283
City Council	148,081
Finance	325,728
Human Resources	2,001,359
Mayor's Office	221,062
Revenue	172,564
Engineering	508,776
Senior Center	205,440
Information Technology	264,432
Legal	331,916
Interest on Long-term Debt	<u>5,339,585</u>
Total expenses	<u>24,761,107</u>
Increase in net assets	8,820,626
Net assets (deficit) – beginning of year	<u>(67,703,970)</u>
Net assets (deficit) – end of year	<u>\$(58,883,344)</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The combined fund balances of the City's governmental funds are \$8,884,850 at September 30, 2004, a decrease of \$2,599,078 from the prior fiscal year. Of this amount, \$1,759,805 constitutes unreserved fund balance, which is generally available for spending at the City's discretion, although it is subject to certain limitations inherent in the funds where the balances are retained. The remainder of the total fund balance, or \$7,125,045, is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, pay debt service, or has generally been committed for other purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund is \$1,555,491. The total fund balance is \$2,736,107. Unreserved fund balance represents 6.30 percent of the total general fund expenditures.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are summarized as follows:

- \$755,389 increase for total revenues
- \$1,636,858 increase for total expenditures

Of the \$1,636,858 increase in expenditures, \$1,156,577 was allocated for capital outlay. During the year, revenues exceeded budget by \$90,940 and expenditures exceeded budget by \$5,756,504 of which \$6,195,060 is donated assets that is recorded as capital outlay expenditures.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental activities as of September 30, 2004, totaled \$34,636,604 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Completed construction of the new fire station; a total cost of \$773,084.
- A variety of street and drainage projects for existing streets, sidewalks and drainage systems began; construction in progress as of the close of the fiscal year had reached \$2,437,700.
- Construction continued on the second entrance to Palmer Park; construction in progress as of the close of the fiscal year had reached \$98,524.
- Various building and system additions and improvements were completed at a cost of \$266,100.

CITY OF MADISON'S CAPITAL ASSETS
(net of depreciation)

Governmental Activities

Land	\$ 5,415,852
Buildings	8,519,015
Improvements to buildings	278,238
Improvements other than buildings	936,358
Machinery and equipment	7,143,875
Infrastructure	9,805,966
Other	875
Construction in progress	<u>2,536,425</u>
 Total	 <u>\$34,636,604</u>

Additional information on the City's capital assets can be found in Note 4 on pages 34 through 47 of this report.

Long-Term Debt. As of September 30, 2004, the City has \$107,470,557 of long-term debt outstanding. Of this amount, \$105,785,000 is general obligation warrants backed by the full faith and credit of the City, \$1,685,557 is comprised of capital lease obligations collateralized by certain vehicles and equipment.

CITY OF MADISON'S OUTSTANDING DEBT

Governmental Activities

Capital lease obligations	\$ 1,685,557
General obligation warrants payable	105,785,000
Less deferred amounts for:	
Issuance discounts	<u>(684,711)</u>
 Total	 <u>\$106,785,846</u>

Other than debt paid from proprietary fund revenue sources (e.g. sewer debt and revenue bonds), State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and drainage systems to twenty percent of the assessed value of real and personal property. Of the \$106,785,846 outstanding debt, the amount of \$61,855,000 is outstanding general obligation school warrants, which is not charged against the allowable debt limit. As of September 30, 2004, the City's allowable debt limit is \$64,982,064. The City was in compliance with its debt limit at \$44,930,846.

CITY OF MADISON'S OUTSTANDING DEBT - Continued

The City's general obligation bond rating by Moody's Investor Services, Inc. is Aaa/A1 and Standards and Poor's is AAA/AA-.

Additional information on the City's long-term debt can be found in Note 4 on pages 42 through 45 of this report.

Additional Information

The Mayor and City Council considered many factors when developing the 2005 budget including the state of the surrounding local economies. In this manner, the City has conservatively approved a general fund budget anticipating a slow growth of \$17,213,109 in revenues and \$1,557,683 of other financing sources. Expenses are approved for \$18,879,184 and \$253,307 of other financing uses. The fund balance of the general fund was projected to decrease \$361,699. Although the fund balance of the general fund is projected to decrease, the projected fund balance is more than 10 percent of the estimated revenues.

Request for Information

This financial report is designed as a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 100 Hughes Road, City of Madison, Alabama, 35758.

BASIC FINANCIAL STATEMENTS



CITY OF MADISON, ALABAMA
STATEMENT OF NET ASSETS
September 30, 2004

	Primary	Component Units	
	Government	The Water and Wastewater Board	Madison City Board of Education
	Governmental Activities		
ASSETS			
Cash and cash equivalents	\$ 894,897	\$ 6,649,071	\$ 17,148,749
Investments	-	-	223,723
Receivables, net			
Tax and tax equivalents	3,153,023	-	725,625
Other	1,497,444	1,008,758	82,806
Inventory	-	193,056	-
Prepaid expenditures	265,344	-	-
Other	-	18,305	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	8,151,197	7,729,033	-
Grants receivable	225,460	-	-
Intergovernmental receivable	2,031,054	-	-
Other receivable	-	-	-
Capital assets (net of accumulated depreciation):			
Land	5,415,852	-	7,018,296
Buildings	8,519,015	102,559,845	52,118,753
Building improvements	278,238	-	-
Improvements other than buildings	936,358	-	950,066
Machinery and equipment	7,143,875	-	8,113,950
Vehicles	-	-	1,009,695
Infrastructure	9,805,966	-	-
Other	875	-	-
Construction in progress	2,536,425	-	10,583,158
Other	-	225,043	-
Bond issue costs, (net of accumulated amortization)	1,696,835	1,052,533	-
Total assets	52,551,858	119,435,644	97,974,821
LIABILITIES			
Accounts payable and other current liabilities	1,988,453	2,056,034	3,783,786
Interest payable	1,295,933	432,490	-
Retainage payable	59,599	-	-
Deferred revenue	1,305,371	-	121,698
Noncurrent liabilities:			
Due within one year	2,765,063	1,995,000	-
Due in more than one year	104,020,783	55,040,000	-
Total liabilities	111,435,202	59,523,524	3,905,484
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	22,619,851	45,524,845	79,793,918
Restricted for:			
Highways and streets	891,000	-	-
Debt service	656,368	-	-
Capital Improvements	4,496,900	2,567,650	-
Water Distribution and Storage Project	2,341,087	-	-
Other purposes	526,870	3,717,835	-
Unrestricted (deficit)	(90,415,420)	8,101,790	14,275,419
Total net assets (deficit)	\$ (58,883,344)	\$ 59,912,120	\$ 94,069,337

The notes to financial statements are an integral part of this statement.

CITY OF MADISON, ALABAMA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units	
						The Water and Wastewater Board	Madison City Board of Education
Functions/Programs							
Primary government:							
Governmental activities:							
General Administration	\$ 1,498,013	\$ 2,527,571	\$ 233,621	\$ -	\$ 1,263,179	\$ -	\$ -
Police Protection	3,792,077	775,629	181,276	22,246	(2,812,926)	-	-
Public Works	3,195,581	281,387	7,071	6,730,206	3,823,083	-	-
City Clerk	497,313	-	-	-	(497,313)	-	-
Recreation	1,722,553	213,074	33,926	194,300	(1,281,253)	-	-
Fire	3,083,500	-	6,459	605,192	(2,471,849)	-	-
Community Development	670,844	70,134	-	-	(600,710)	-	-
Court	782,283	-	-	-	(782,283)	-	-
City Council	148,081	-	-	-	(148,081)	-	-
Finance	325,728	-	-	-	(325,728)	-	-
Human Resources	2,001,359	-	-	-	(2,001,359)	-	-
Mayor's Office	221,062	-	-	-	(221,062)	-	-
Revenue	172,564	-	-	-	(172,564)	-	-
Engineering	508,776	-	-	-	(508,776)	-	-
Senior Center	205,440	-	-	-	(205,440)	-	-
Information Technology	264,432	-	-	-	(264,432)	-	-
Legal	331,916	-	-	-	(331,916)	-	-
Interest on long-term debt	5,339,585	-	-	-	(5,339,585)	-	-
Total governmental activities	\$ 24,761,107	\$ 3,867,795	\$ 462,353	\$ 7,551,944	(12,879,015)	-	-
Component units:							
The Water and Wastewater Board	\$ 8,074,703	\$ 9,697,659	\$ -	\$ 2,930,777	-	4,553,733	-
Madison City Board of Education	49,467,363	4,626,043	27,361,227	1,253,483	-	-	(16,226,610)
Total component units	\$ 57,542,066	\$ 14,323,702	\$ 27,361,227	\$ 4,184,260	-	4,553,733	(16,226,610)
General revenues:							
Property taxes and payments in lieu of taxes					4,363,486	-	8,416,113
Sales and use taxes					9,594,767	-	4,893,944
Franchise taxes					221,689	-	-
Motor fuel taxes					855,290	-	-
Alcoholic beverage taxes					683,839	-	-
Rental Taxes					339,205	-	-
Lodging Taxes					669,228	-	-
Other Taxes					318,803	-	87,641
Unrestricted investment earnings					130,950	116,635	255,712
Miscellaneous					4,618,776	-	2,849,272
Loss on Sale of Fixed Assets					(96,392)	-	-
Total general revenues					21,699,641	116,635	16,502,682
Change in net assets					8,820,626	4,670,368	276,072
Net assets - beginning of year, as previously reported					(67,703,970)	55,241,752	90,402,554
Prior period adjustment					-	-	3,390,711
Net assets - beginning of year, restated					(67,703,970)	55,241,752	93,793,265
Net assets - end of year					\$ (58,883,344)	\$ 59,912,120	\$ 94,069,337

The notes to financial statements are an integral part of this statement.

CITY OF MADISON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004

	General	Water Distribution and Storage Project Fund	2001 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 894,897	\$ 310,033	\$ 3,257,327	\$ 3,405,388	\$ 7,867,645
Cash with fiscal agent	-	-	-	656,368	656,368
Receivables, net					
Tax and tax equivalents	3,153,023	2,031,054	-	-	5,184,077
Grants	-	-	-	3,485	3,485
Other	593,892	-	453,083	291,846	1,338,821
Prepaid expenditures	265,038	-	307	-	265,345
Restricted assets:					
Cash and cash equivalents	522,081	-	-	-	522,081
Grants receivable	221,975	-	-	-	221,975
Due from other funds	459,792	-	2,848	85,324	547,964
Total Assets	\$ 6,110,698	\$ 2,341,087	\$ 3,713,565	\$ 4,442,411	\$ 16,607,761
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 487,950	\$ -	\$ 91,401	\$ 449,939	\$ 1,029,290
Accrued compensation and benefits	448,786	-	-	763	449,549
Due to other funds	78,034	315,095	33,805	121,030	547,964
Retainage payable	-	-	9,107	50,492	59,599
Deferred revenue	2,351,154	1,825,861	-	1,450,827	5,627,842
Other liabilities	8,667	-	-	-	8,667
Total Liabilities	3,374,591	2,140,956	134,313	2,073,051	7,722,911
Fund balances:					
Reserved for:					
Encumbrances	171,522	-	463,859	133,480	768,861
Prepaid expenditures	265,038	-	307	-	265,345
Restricted assets	744,056	-	3,115,086	1,575,329	5,434,471
Debt Service	-	-	-	656,368	656,368
Unreserved, reported in:					
General fund	1,555,491	-	-	-	1,555,491
Special revenue funds	-	200,131	-	4,183	204,314
Total fund balances	2,736,107	200,131	3,579,252	2,369,360	8,884,850
Total Liabilities and Fund Balances	\$ 6,110,698	\$ 2,341,087	\$ 3,713,565	\$ 4,442,411	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,636,604
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,481,094
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(106,885,892)</u>

Net assets (deficit) of governmental activities **\$ (58,883,344)**

The notes to financial statements are an integral part of this statement.

CITY OF MADISON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2004

	General	Water Distribution and Storage Project Fund	2001 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property and payment in lieu of taxes	\$ 2,193,660	\$ 1,682,410	\$ -	\$ 153,349	\$ 4,029,419
Sales and use	7,627,305	1,978,302	-	-	9,605,607
Franchise	221,689	-	-	-	221,689
Alcoholic beverage	212,508	-	-	-	212,508
Rental	339,205	-	-	-	339,205
Lodging	673,728	-	-	-	673,728
Other	148,573	-	-	-	148,573
Licenses and permits	2,299,540	-	-	-	2,299,540
Intergovernmental	1,383,364	-	-	1,065,420	2,448,784
Charges for services	598,133	-	-	38,775	636,908
Fines	612,243	-	-	140,049	752,292
Investment earnings	42,480	9,988	43,204	35,278	130,950
Contributions and donations	40,392	-	38,000	700	79,092
Other revenues	450,832	-	540,203	4,642,689	5,633,724
Total revenues	16,843,652	3,670,700	621,407	6,076,260	27,212,019
EXPENDITURES					
Current:					
General Administration	732,373	5,954	224,971	379,119	1,342,417
Police Protection	3,542,988	-	11,130	65,883	3,620,001
Public Works	2,406,288	-	11,611	522,510	2,940,409
City Clerk	492,853	-	-	-	492,853
Recreation	1,499,583	-	2,587	-	1,502,170
Fire	2,885,686	-	35,248	-	2,920,934
Community Development	660,742	-	-	-	660,742
Court	778,990	-	-	-	778,990
City Council	146,493	-	-	-	146,493
Finance	316,854	-	-	-	316,854
Human Resources	1,998,967	-	-	-	1,998,967
Mayor's Office	219,818	-	-	-	219,818
Revenue	170,955	-	-	-	170,955
Engineering	502,861	-	-	-	502,861
Senior Center	198,251	-	-	-	198,251
Information Technology	256,366	-	-	-	256,366
Legal	331,768	-	-	-	331,768
Debt service:					
Principal	311,158	-	-	2,370,000	2,681,158
Interest	67,819	-	-	5,261,253	5,329,072
Capital outlay	7,155,345	-	1,921,192	1,169,431	10,245,968
Total expenditures	24,676,158	5,954	2,206,739	9,768,196	36,657,047
Excess (deficiency) of revenues over (under) expenditures	(7,832,506)	3,664,746	(1,585,332)	(3,691,936)	(9,445,028)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	1,316,904	-	8,042	3,315,965	4,640,911
Transfers to other funds	(293,926)	(3,845,558)	-	(501,427)	(4,640,911)
Donated Assets	6,195,060	-	-	-	6,195,060
Sales of Capital Assets	40,890	-	-	-	40,890
Capital leases	610,000	-	-	-	610,000
Total other financing sources (uses)	7,868,928	(3,845,558)	8,042	2,814,538	6,845,950
Net change in fund balances	36,422	(180,812)	(1,577,290)	(877,398)	(2,599,078)
Fund balances - beginning of year	2,699,685	380,943	5,156,542	3,246,758	11,483,928
Fund balances - end of year	\$ 2,736,107	\$ 200,131	\$ 3,579,252	\$ 2,369,360	\$ 8,884,850

The notes to financial statements are an integral part of this statement.

CITY OF MADISON, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2004

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances - total governmental funds (page 18)	\$ (2,599,078)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	9,340,674
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(137,282)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	332,185
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,071,158
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(187,031)</u>
Change in net assets of governmental activities (page 16)	<u>\$ 8,820,626</u>

The notes to financial statements are an integral part of this statement.

CITY OF MADISON, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property tax and payments in lieu of taxes	\$ 2,196,828	\$ 2,208,828	\$ 2,193,660	\$ (15,168)
Sales and use	7,335,000	7,410,000	7,627,305	217,305
Franchise	225,570	228,321	221,689	(6,632)
Alcoholic beverage	198,000	208,000	212,508	4,508
Rental	417,150	417,150	339,205	(77,945)
Lodging	672,000	672,000	673,728	1,728
Other	160,000	160,000	148,573	(11,427)
Licenses and permits	2,285,873	2,300,873	2,299,540	(1,333)
Intergovernmental	845,597	1,467,884	1,383,364	(84,520)
Charges for services	600,145	611,446	598,133	(13,313)
Fines	650,000	650,000	612,243	(37,757)
Investment earnings	79,029	81,363	42,480	(38,883)
Contribution and donations	13,444	18,160	40,392	22,232
Other revenues	318,687	318,687	450,832	132,145
Total revenues	15,997,323	16,752,712	16,843,652	90,940
EXPENDITURES				
Current:				
General Administration	580,094	656,685	732,373	(75,688)
Police	3,592,309	3,639,631	3,542,988	96,643
Public Works	2,320,915	2,362,980	2,406,288	(43,308)
City Clerk	523,227	550,942	492,853	58,089
Recreation	1,494,877	1,580,730	1,499,583	81,147
Fire	2,859,939	2,870,570	2,885,686	(15,116)
Community Development	687,483	690,172	660,742	29,430
Court	664,028	735,269	778,990	(43,721)
City Council	164,370	164,357	146,493	17,864
Finance	344,119	342,537	316,854	25,683
Human Resources	1,974,458	1,991,673	1,998,967	(7,294)
Mayor's Office	225,333	230,304	219,818	10,486
Revenue	168,353	169,154	170,955	(1,801)
Engineering	548,427	547,142	502,861	44,281
Senior Center	197,551	196,450	198,251	(1,801)
Information Technology	276,715	284,611	256,366	28,245
Legal	273,517	302,113	331,768	(29,655)
Debt service:				
Principal	295,002	344,155	311,158	32,997
Interest	65,681	77,204	67,819	9,385
Capital outlay	26,398	1,182,975	7,155,345	(5,972,370)
Total expenditures	17,282,796	18,919,654	24,676,158	(5,756,504)
Excess (deficiency) of revenues over (under) expenditures	(1,285,473)	(2,166,942)	(7,832,506)	(5,665,564)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,009,247	1,164,887	1,316,904	152,017
Transfers to other funds	(253,307)	(253,307)	(293,926)	(40,619)
Capital Leases	-	610,000	610,000	-
Sale of Capital Assets	-	3,700	40,890	37,190
Donated Assets	-	-	6,195,060	6,195,060
Total other financing sources (uses)	755,940	1,525,280	7,868,928	6,343,648
Net change in fund balance	(529,533)	(641,662)	36,422	678,084
Fund balance - beginning of year	2,740,286	2,699,685	2,699,685	-
Fund balance - end of year	\$ 2,210,753	\$ 2,058,023	\$ 2,736,107	\$ 678,084

The notes to financial statements are an integral part of this statement.

CITY OF MADISON, ALABAMA
WATER DISTRIBUTION AND STORAGE PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental:				
Property tax and payment in lieu	\$ 1,650,000	\$ 1,650,000	\$ 1,682,410	\$ 32,410
Sales and use taxes	1,837,000	1,887,000	1,978,302	91,302
Investment earnings	<u>16,000</u>	<u>16,000</u>	<u>9,988</u>	<u>(6,012)</u>
TOTAL REVENUES	3,503,000	3,553,000	3,670,700	117,700
EXPENDITURES				
Current:				
General Administration	<u>8,651</u>	<u>8,651</u>	<u>5,954</u>	<u>2,697</u>
TOTAL EXPENDITURES	<u>8,651</u>	<u>8,651</u>	<u>5,954</u>	<u>2,697</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,494,349	3,544,349	3,664,746	120,397
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(3,732,662)</u>	<u>(3,838,302)</u>	<u>(3,845,558)</u>	<u>(7,256)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,732,662)</u>	<u>(3,838,302)</u>	<u>(3,845,558)</u>	<u>(7,256)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(238,313)	(293,953)	(180,812)	113,141
FUND BALANCE AT BEGINNING OF YEAR	<u>380,943</u>	<u>380,943</u>	<u>380,943</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 142,630</u>	<u>\$ 86,990</u>	<u>\$ 200,131</u>	<u>\$ 113,141</u>



CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Madison, Alabama (the City) was incorporated under the laws of the State of Alabama in 1869 and operates under an elected Mayor-Council form of government. The City complies with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. Each component unit of the City is discretely presented in a separate column in the basic financial statements to emphasize the fact that it is legally separate from the City. Each discretely presented component unit has a September 30 year-end.

DISCRETELY PRESENTED COMPONENT UNITS

Water and Wastewater Board

The Water and Wastewater Board (the "Board") of the City of Madison is a public corporation organized under Alabama Code Sections 11-50-310 through 324, inclusive. The Board provides water and wastewater services to the residents and businesses in the City. The Board consists of five members who manage all property and business of this corporation. The members of the Board are appointed by the City Council of the City of Madison. The City issued general obligation warrants which were used for water and wastewater purposes. The financial statements of the Board are reported in a separate column to emphasize that they are legally separate from the City. The Board is reported as a proprietary fund type.

Madison City Board of Education

The Board of Education consists of five members appointed by the City Council. The Board of Education is vested with all powers necessary and proper, as authorized by the state law or regulation of the Alabama State Board of Education, for the administration and management of free public schools in the City. The City issued general obligation warrants which were used for school purposes. The financial statements of Madison City Board of Education are reported in a separate column to emphasize that they are legally separate from the City. Madison City Board of Education is reported as a governmental fund type.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued -

Madison City Board of Education - Continued -

Complete financial statements of the Water and Wastewater Board and Madison Board of Education discretely presented component units may be obtained at the administrative office of the entity.

Water and Wastewater Board
Palmer Road
Madison, Alabama

Madison Board Education
Celtic Drive
Madison, Alabama

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued -

Governmental funds are used to account for the City's general government activities. Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within forty-five (45) days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments, are recorded only when payment is due.

Property taxes, sales and use taxes, alcoholic beverage taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other taxes and receipts are considered to be measurable and available only when cash is received by the government.

Payments in lieu of taxes are revenues from other governmental entities paid in lieu of property taxes.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *water distribution and storage project fund* accounts for the ½ cent sales tax and the 5 ½ mill property tax.

The *capital improvement fund* accounts for a variety of public works and capital improvement projects in the City consisting of public safety, recreation, streets, drainage and other improvements. Financing was provided by the sale of general obligation warrants.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued -

The City reports the following fund types:

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from government resources.

Capital projects funds are used to account for financial resources segregated from acquisition of major capital facilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards (GASB).

Effective October 1, 2002, the City implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Additionally, the City implemented GASB Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences – an Amendment of GASB Statement No. 34*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. The implementation of these statements and interpretations resulted in changes in the format and content of the basic financial statements and changed the City's method of accounting for certain transactions.

During the course of normal operations, the City has numerous transactions between funds to provide services to pay debt, etc. These transactions are generally reflected as operating transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the reimbursing fund and as reductions of the expenditure in the fund reimbursed. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued -

In the government-wide financial statements, amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources first, then restricted resources as they are needed, except in the case of grant monies which are used for their required purpose.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, State of Alabama, Alabama counties, or the general obligations of Alabama municipalities. Investments for the City, as well as for its component units, are stated at fair market value.

2. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds".

All trade and property tax receivables are shown net of an allowance for un-collectibles.

Property taxes are levied on October 1 for the prior fiscal year beginning October 1, at which time a lien is attached. These taxes are due and payable October 1 and delinquent after December 31 each year after which a penalty and interest are required to be charged. Revenue is recognized in the year when the taxes are levied and collected at the fund level and in the year for which they are levied at the government-wide level. The taxes are collected by the Madison County Tax Collector and remitted to the City.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued -

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased except commodities donated by the federal government, which are expensed when consumed.

4. Restricted Assets

Certain proceeds of general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet and statement of net assets because their use is limited by applicable warrant indentures. In addition, cash accounts and other assets restricted for specific purposes are classified as restricted assets on the balance sheet and statement of net assets.

5. Capital Assets

Capital assets of the City, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed, or if inadequate records were available to determine the actual cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and infrastructure	40-60
Building improvements	15-40
Machinery, equipment, and other	3-25

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued -

6. *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused annual and sick leave benefits. There is no liability for unpaid accumulated sick leave. No sick leave is paid upon separation from the City's services. Employees can carry a maximum of 200 hours of unused annual leave forward into the next leave year. Any accumulated annual leave that exceeds this amount at the end of the leave year will be forfeited. Upon separation from City service, an employee will be paid for all accrued annual leave. Annual leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. All unused annual leave is accrued when earned by the employee in the government-wide financial statements and is considered a current liability.

The compensated absences policy of the Water and Wastewater Board is the same as stated for the City.

The compensated absences policy for Madison Board of Education states that professional and support personnel are provided 2-5 days of personal leave per year with pay depending on years of service. The State provides funding, at the substitute rate, for up to 2 days of personal leave per employee per year. Professional employees are paid, at the Board's substitute rate, for up to 2 days of unused personal leave. Professional and support personnel may convert unused, unreimbursed personal leave to sick leave at the end of the scholastic year. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is reported in the financial statements.

Employees with 10 years or less in service with Madison City Schools are allowed 10 working days. Employees with 11 years or greater in service with Madison City Schools are allowed 15 working days. Unused vacation leave can be carried over to succeeding years to a maximum of 2 years of accrued leave as of June 30 of each year. The amount of unpaid leave is immaterial, so no liability for unpaid leave is reported in the financial statements.

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate unlimited days of sick leave. Employees may use their accrued sick leave as membership service in determining the total year of creditable service in the Teachers' Retirement System, with no additional cost to Madison Board of Education. The State provides partial funding for substitutes employed while employees are on sick leave. Most of the salaries paid to employees utilizing sick leave are paid from state and federal funds. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded in the financial statements.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued -

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

Government-wide statements - Equity is classified as net assets, and displayed in three components:

- a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and outstanding balances of any bonds, mortgages, notes or other debt attributable to the acquisition, construction or improvement of those assets.
- b) Restricted net assets - Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Governmental fund equity is classified as fund balances. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued -

9. Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of the reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$105,785,000
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(1,696,835)
Less: Issuance discount (to be amortized as interest expense)	(684,711)
Accrued interest payable	1,295,933
Capital lease payable	1,685,557
Compensated absences	<u>500,948</u>
Net adjustment to reduce <i>fund balance</i> <i>total governmental funds</i> to arrive at <i>net assets</i> <i>governmental activities</i>	<u>\$106,885,892</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - Continued -

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this difference are as follows:

Capital outlay	\$10,245,968
Depreciation expense	<u>(905,294)</u>
 Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 9,340,674</u>

Another element of that reconciliation states "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is a decrease to net assets." The detail of this \$137,282 difference is as follows:

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	<u>\$ 137,282</u>
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Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - Continued

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities - Continued -

The details of this difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$(610,000)
Principal repayments:	
General obligation debt	2,370,000
Payments on capital leases	<u>311,158</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$2,071,158</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$187,031 difference are as follows:

Compensated absences	\$ (63,722)
Accrued interest	(10,513)
Amortization of issuance costs	(78,740)
Amortization of bond discounts	<u>(34,056)</u>
Net adjustment to <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(187,031)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Federal Forfeiture Fund of the special revenue funds and, the 2002 Bond Fund of the debt service funds, and the capital projects funds. The capital projects funds are budgeted over the life of the respective project and not on an annual basis. All annual appropriations lapse at fiscal year end.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. Budgetary Information - Continued -

The budget preparation is coordinated through the Mayor's Office and the Finance Department. Each head of the City departments is responsible for preparing and submitting their appropriation requests according to the budget schedule. The Mayor submits the proposed budget to the City Council Finance Committee. The City Council Finance Committee holds meetings to review and make recommended changes to the proposed budget. After the City Council Finance Committee completes a final review of the proposed budget, the proposed budget document is submitted to the City Council for work sessions. After all scheduled work sessions have been conducted, the proposed budget is presented to the City Council at a regular scheduled council meeting for a public hearing and consideration for adoption before October 1.

The City adopts a line item budget. There are two types of budget amendments. The first type causes a net change in the overall budget. This type of amendment may result from an increase or decrease to revenues and/or expenditures. Budget amendments of this nature are legislature and require the approval of the City Council.

The second type of budget amendment does not cause any net change in the overall budget. The effect is that it redistributes appropriated funding within a department to different line items without causing an increase or decrease in the budget. The exceptions are amendments, within a department, in excess of \$1,000, funding increase or decrease to the personnel compensation, and funding increase or decrease to the capital outlay line item. These types of amendments require approval of the City Council Finance Committee.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments have not been fulfilled in the current year and will be re-appropriated and honored during the subsequent year.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

B. Excess of Expenditures over Appropriations

The City maintains a level of control at the department level. The following departments had expenditures exceeding appropriations:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General	General Administration	\$ 75,688
	Public Works	\$ 43,308
	Fire	\$ 15,116
	Court	\$ 43,721
	Human Resources	\$ 7,294
	Revenue	\$ 1,801
	Senior Center	\$ 1,801
	Legal	\$ 29,655
	Capital Outlay	\$ 5,972,370

C. Deficit Fund Balance

There were no funds with a deficit fund balance as of September 30, 2004.

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year-end, the City's carrying amount of deposits and bank balance were covered by federal depository insurance or by collateral held as part of the State of Alabama's SAFE Program. The program insures all accounts specified as public funds for the majority of banks located within the State of Alabama.

At September 30, 2004, the City had \$656,368 of investments held by a trustee. The trust invests in U.S. Treasury Notes, which are held in the City's name (Category 2). The market value of the investments held by the trustee is \$656,368 at September 30, 2004.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued -

Investments are categorized into these three categories of risk:

1. Insured or registered, or securities held by the City or its agent in the City's name.
2. Uninsured and unregistered, with securities held by the counterpart's trust department or agent in the City's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent, but not in the City's name.

At year-end the Water and Wastewater Board's, a discretely presented component unit, carrying amount of deposits and bank balance were maintained by an institution whose accounts are insured up to \$100,000 by an Agency of the Federal Government and the excess collateralized by securities pledged by the financial institution. Act No. 2002-748 passed by the Alabama Legislature makes it mandatory for all deposits of public funds be secured by collateral pledged to the Security for Alabama Funds Enhancement (SAFE) collateral pool established by the State Treasurer's Office. The Water and Wastewater is enrolled in this program.

At September 30, 2004, the carrying amount of deposits and bank balance of Madison City Board of Education, a discretely presented component unit, were fully collateralized by banks qualifying under the Security for Alabama Funds Enhancement Act (SAFE) as qualified public depositories.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

B. Deferred Revenue and Receivables

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue and unearned revenue* reported in the governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	\$ 2,301,422	\$ -
Property taxes receivable (special revenue fund)	1,977,647	-
Capital Projects Funds restricted for roads/drainage	-	30,000
Capital Projects Funds forward purchase option fee	-	1,250,000
General Fund – Property Rental	-	14,544
Grant receivables	-	10,827
Taxes unavailable-general fund	43,402	-
Total deferred/unearned revenue for governmental funds	<u>\$ 4,322,471</u>	<u>\$ 1,305,371</u>

Receivables

Receivables as of year end for the City's individual major funds and non-major funds are as follows:

	<u>General</u>	<u>Water Distribution and Storage Project Fund</u>	<u>2001 Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:					
Taxes	\$3,153,023	\$2,031,054	\$ -	\$ -	\$5,184,077
Grants	-	-	-	3,485	3,485
Other	593,892	-	453,083	291,846	1,338,821
Grant-restricted	221,975	-	-	-	221,975
Total receivables	<u>\$3,968,890</u>	<u>\$2,031,054</u>	<u>\$453,083</u>	<u>\$295,331</u>	<u>\$6,748,358</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. Capital Assets

Capital asset activity for the year ended September 30, 2004, was as follows:

Primary Government

	<u>Balance October 1, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2004</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,041,635	\$1,374,217	\$ -	\$ 5,415,852
Construction in progress	<u>1,737,916</u>	<u>798,509</u>	<u>-</u>	<u>2,536,425</u>
Total capital assets, not being depreciated	5,779,551	2,172,726	-	7,952,277
Capital assets, being depreciated:				
Buildings	9,930,366	779,955	-	10,710,321
Improvements to buildings	287,856	38,379	-	326,235
Improvements other than buildings	1,022,225	243,528	-	1,265,753
Machinery and equipment	9,594,474	1,092,959	(214,806)	10,472,627
Infrastructure	4,043,849	5,918,423	-	9,962,272
Other	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Total capital assets, being depreciated	24,882,270	8,073,244	(214,806)	32,740,708
Less accumulated depreciation for:				
Buildings	(1,988,788)	(202,518)	-	(2,191,306)
Improvements to buildings	(32,715)	(15,282)	-	(47,997)
Improvements other than buildings	(280,366)	(49,029)	-	(329,395)
Machinery and equipment	(2,883,034)	(523,242)	77,524	(3,328,752)
Infrastructure	(41,784)	(114,522)	-	(156,306)
Other	<u>(1,925)</u>	<u>(700)</u>	<u>-</u>	<u>(2,625)</u>
Total accumulated depreciation	<u>(5,228,612)</u>	<u>(905,293)</u>	<u>77,524</u>	<u>(6,056,381)</u>
Total capital assets, being depreciated, net	<u>19,653,658</u>	<u>7,167,951</u>	<u>(137,282)</u>	<u>26,684,327</u>
Governmental activities, capital assets, net	<u>\$ 25,433,209</u>	<u>\$9,340,677</u>	<u>\$(137,282)</u>	<u>\$34,636,604</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. Capital Assets - Continued -

Depreciation expense is charged to functions of the primary government as follows:

General Administration	\$103,938
Police	156,145
Public Works	239,242
City Clerk	4,460
Recreation	204,453
Fire	146,635
Community Development	10,102
Court Clerk	3,293
City Council	1,588
Finance	8,874
Human Resources	2,392
Mayor's Office	1,244
Revenue	1,609
Engineering	5,915
Senior Center	7,189
Information Technology	8,066
Legal	<u>148</u>
 Total depreciation expense - governmental activities	 <u><u>\$905,293</u></u>

Discretely presented components units

The following is a summary of changes in the Water and Wastewater Board's, a discretely presented component unit, capital assets during the fiscal year:

	Balance October 1, 2003	Increase	Decrease	Balance September 30, 2004
Water system	\$39,339,322	\$ 2,911,038	\$ -	\$ 42,250,360
Sewer system	49,904,663	13,483,676	-	63,388,339
General plant	5,026,117	229,581	-	5,255,698
Construction in progress	<u>18,876,505</u>	<u>14,822,267</u>	<u>16,624,294</u>	<u>17,074,478</u>
 Total capital assets, being depreciated	 113,146,607	 31,446,562	 16,624,294	 127,968,875

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

C. Capital Assets - Continued -

Discretely presented components units - Continued -

Less accumulated depreciation for:

Water system	9,011,958	1,057,606	-	10,069,564
Sewer system	10,281,467	1,413,359	-	11,694,826
General plant	<u>3,247,334</u>	<u>397,306</u>	<u>-</u>	<u>3,644,640</u>
Total accumulated depreciation	<u>22,540,759</u>	<u>2,868,271</u>	<u>-</u>	<u>25,409,030</u>

Water and Wastewater Board's capital assets, net	<u>\$90,605,848</u>	<u>\$28,578,291</u>	<u>\$16,624,294</u>	<u>\$102,559,845</u>
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The following is a summary of the Madison City Board of Education's, a discretely presented component unit, capital assets during the fiscal year:

	Balance October 1, 2003	Additions	Retirements and Reclassifications	Balance September 30, 2004
Governmental Activities:				
Land	\$ 5,915,437	\$ 1,102,859	\$ -	\$ 7,018,296
Land improvements	3,431,137	-	-	3,431,137
Buildings	58,043,271	9,527,370	-	67,570,641
Equipment	9,132,896	156,924	-	9,289,820
Construction in progress	9,359,529	1,223,629	-	10,583,158
Vehicles	<u>3,585,628</u>	<u>323,322</u>	<u>-</u>	<u>3,908,950</u>
Total at historic cost	89,467,898	12,334,104	-	101,802,002
Less accumulated depreciation for:				
Land improvements	2,132,910	348,161	-	2,481,071
Buildings	14,015,692	1,436,196	-	15,451,888
Equipment	999,040	176,830	-	1,175,870
Vehicles	<u>2,601,960</u>	<u>297,295</u>	<u>-</u>	<u>2,899,255</u>
Total accumulated depreciation	<u>19,749,602</u>	<u>2,258,482</u>	<u>-</u>	<u>22,008,084</u>
Governmental Activities Capital Assets, Net	<u>\$69,718,296</u>	<u>\$10,075,622</u>	<u>\$ -</u>	<u>\$79,793,918</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2004, is as follows:

Due to/from other funds (Primary Government):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Distribution and Storage Project Fund	\$ 315,076
	Gasoline Taxes and Inspection Fees Fund	28,614
	TVA Tax Distribution Fund	23,029
	Senior Center Donation Fund	3,328
	Domestic Violence Fund	3,485
	2001 Capital Improvement Fund	33,805
	Municipal Government Capital Improvement Fund	36,459
	Cemetery Fund	15,996
Japanese Garden Donation Fund	General	1,971
Domestic Violence Fund	General	2,385
Correctional Fund	General	29,519
Federal Forfeiture Fund	General	2,430
2001 Capital Improvement Fund	General	2,848
Cemetery Fund	General	38,775
Gasoline Taxes and Inspection Fees Fund	General	74
1998-C Long Range Plan Fund	General	32
	Gasoline Taxes and Inspection Fees Fund	10,119
Library Fund	Water Distribution and Storage Project Fund	<u>19</u>
	Total	<u>\$ 547,964</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

D. Interfund receivables, payables, and transfers - Continued -

Interfund transfers:

<u>Transfer From</u>	<u>Transfer To</u>	
General Fund	Nonmajor governmental funds	\$ 293,926
Nonmajor governmental funds	General Fund	493,385
Water Distribution and Storage Project Fund	General Fund	823,519
Water Distribution and Storage Project Fund	Nonmajor governmental funds	3,022,039
Nonmajor governmental funds	2001 Capital improvement fund	<u>8,042</u>
	Total	<u>\$4,640,911</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt services from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, including capital projects, in accordance with budgetary operations.

E. Leases

The government entered into a lease agreement as lessee for financing the acquisition of a city-wide communication system, police vehicles, computers, fire trucks and other equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, are recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$2,190,650
Less: Accumulated depreciation	<u>184,602</u>
Total	<u>\$2,006,048</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

E. Leases - Continued -

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2005	\$ 387,427
2006	331,934
2007	310,314
2008	277,846
2009	202,737
2013	<u>447,652</u>
Total minimum lease payments	1,957,910
Less: amount representing interest	<u>(272,353)</u>
Present value of minimum lease payments	<u>\$1,685,557</u>

F. Long-term debt

The government issues general obligation warrants to provide funds for the acquisition and construction of major capital facilities. General obligation warrants have been issued for general government activities. In addition, general obligation warrants have been issued to refund general obligation warrants.

General obligation warrants are direct obligations and pledge the full faith and credit of the government. These warrants generally are issued as 25-year serial warrants, except for refunding issues.

**CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004**

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. Long-term debt - Continued -

General obligation warrants currently outstanding as of September 30, 2004, are as follows:

	<u>Range of Interest Rates</u>	<u>Amount</u>
<u>General Obligation Warrants</u>		
Series 1995	4.80%-6.00%	\$ 17,770,000
Series 1998-C	4.50%-5.00%	16,150,000
Series 2001	3.25%-5.35%	10,010,000
 <u>General Obligation School Warrants:</u>		
Series 1998-A	4.95%-5.20%	6,265,000
Series 1998-B	4.10%-5.00%	11,495,000
Series 1999	3.70%-5.00%	12,320,000
Series 2000	4.80%-5.70%	3,050,000
Series 2001-A	2.15%-5.125%	7,825,000
Series 2002	1.65%-5.125%	20,900,000
		<u>\$105,785,000</u>

Annual debt service requirements to maturity for general obligation warrants and general obligation school warrants are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 2,445,000	\$ 5,173,253
2006	2,550,000	5,078,024
2007	2,625,000	4,975,736
2008	2,755,000	4,866,037
2009	3,330,000	4,747,271
2010-2014	19,230,000	21,312,603
2015-2019	23,545,000	16,149,889
2020-2024	28,305,000	9,305,446
2025-2029	17,290,000	2,774,224
2030-2032	3,710,000	291,612
	<u>\$105,785,000</u>	<u>\$74,674,095</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. Long-term debt - Continued -

Revenue bonds

The Water and Wastewater Board, a discretely presented component unit, issues bonds where the Board pledges income derived from the acquired or constructed assets to pay debt service. During the year, \$16,870,414 of revenues bonds was issued.

Revenue bonds outstanding at September 30, 2004, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$1,995,000	\$ 2,073,911
2006	2,270,000	2,249,110
2007	2,360,000	2,166,909
2008	2,455,000	2,073,275
2009	2,550,000	1,975,369
2010-2014	14,420,000	8,245,416
2015-2019	17,775,000	4,960,803
2020-2024	12,865,000	1,176,950
2025	<u>345,000</u>	<u>5,261</u>
	<u>\$57,035,000</u>	<u>\$24,927,004</u>

Changes in long-term liabilities

During the year ended September 30, 2004, the following changes occurred in the City's long-term liabilities:

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2004</u>
Capital lease obligations	\$ 1,386,715	\$ 610,000	\$ 311,158	\$ 1,685,557
General obligation warrants payable	108,155,000	-	2,370,000	105,785,000
Less deferred amounts for:				
Issuance discounts	<u>(718,767)</u>	<u>34,056</u>	<u>-</u>	<u>(684,711)</u>
Long-term liabilities	<u>\$ 108,822,948</u>	<u>\$ 644,056</u>	<u>\$ 2,681,158</u>	<u>\$106,785,846</u>

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

F. Long-term debt - Continued -

During the year ended September 30, 2004, the following changes in the liabilities reported for the Water and Wastewater Board, a discretely presented component unit:

	Balance October 1, 2003	Additions	Reductions	Balance September 30, 2004
Revenue bonds	<u>\$43,894,221</u>	<u>\$16,870,414</u>	<u>\$3,729,635</u>	<u>\$57,035,000</u>
Long-term liabilities	<u>\$43,894,221</u>	<u>\$16,870,414</u>	<u>\$3,729,635</u>	<u>\$57,035,000</u>

Forward Purchase Contract

In 2003, the City entered into a forward purchase contract with a third party. The contract gives the third party the option, beginning December 22, 2003 and until April 1, 2007, to require the City to issue up to \$18,775,000 of general obligation warrants ("Optional Warrants") for the sole purpose of refunding any principal that may remain outstanding on the Series 1995 General Obligation Warrants ("1995 Warrants") and which, according to law, may be refunded on a current basis. If the third party exercises the option, the City will issue the Optional Warrants at the same interest rates and maturities as the refunded 1995 Warrants, and will sell the Optional Warrants to the third party, using the proceeds to refund the 1995 Warrants. In consideration of the option, the third party paid the City an option payment, which after payment of expenses associated with the contract, was \$1,250,000. If the third party does not exercise the option, the City retains this payment.

This contract essentially provides the City the benefit it could derive from a current refunding of the 1995 Warrants, if that was permissible at the date of the contract, and it precludes the City from refunding the 1995 Warrants at more favorable terms should they occur during the option period unless the third party terminates the contract. Because events may occur that require the City to repay the option payment to the third party, the option payment is shown as deferred revenue in the Capital Improvement Capital Projects Fund as of September 30, 2004. The City will recognize the entire option payment as revenue in 2005 as the third party exercised the option in April 2005.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4. DETAILED NOTES ON ALL FUNDS - Continued

G. Restricted assets

The statement of net assets shows certain amounts as restricted net assets. These amounts are restricted in their use by parties outside the City such as creditors, grantors, or contributors, or restricted by law or regulation. Components of restricted net assets include:

<u>Activity</u>	<u>Restricted By</u>	
Highways and streets	Law	\$ 891,000
Debt service	General Obligation Warrants	656,368
Contribution to School Board	Law	60,694
Senior Center	Law	10,265
Library	Law	208,624
Capital Improvements	Grantor	4,496,900
Domestic Violence	Grantor	3,485
Grants	Grantor	221,975
Water Distribution	Law	2,341,087
Neighborhood Park	Law	<u>21,827</u>
 Total restricted assets		 <u>\$ 8,912,225</u>

The balance sheet – governmental funds shows reserved fund balances for the following:

The reserve for restricted assets in the general fund (\$744,056 at September 30, 2004) is designated to be available for special purposes.

The reserve for encumbrances (\$768,861) is reserved for the payment of encumbered goods and services.

NOTE 5. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from the past three fiscal years have not exceeded commercial insurance coverage.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5. OTHER INFORMATION

A. Risk Management - Continued -

The Madison Board of Education is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The Madison Board of Education has insurance for its buildings and contents through the State Insurance Fund (SIF), Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state-owned properties and boards of education. The SIF is self-insured up to \$2 million per occurrence. The SIF purchases commercial insurance for claims that in the aggregate exceed \$2 million. Errors and omissions insurance is purchased from the Alabama School Boards Insurance Trust (ASBIT, a public entity risk pool. The ASBIT collects the premiums and purchases commercial insurance for the amount of coverage requested by pool participants. The Madison Board of Education purchases commercial insurance for fidelity bonds and automobile coverage. Settled claims in the past three years have not exceeded the commercial insurance coverage.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board. The plan was established to provide a uniform plan of health insurance for current and retired employees of state education institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIF for each employee.

The State Board of Adjustments is a state agency with which people can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job-related injuries may be filed with the State Board of Adjustment. The Board of Adjustment determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board.

B. Related Party Transaction

On September 23, 1991, the City and the Water and Wastewater Board, a discretely presented component unit, entered into a franchise agreement for the operation of certain utility systems from the City. This franchise agreement was granted for the purpose of confirming and clarifying the holder of ownership interest in and to water and sewer improvements and fire hydrants previously dedicated to the City, which were transferred to the Board by the City. The Water and Wastewater Board pays the City,

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5. OTHER INFORMATION - Continued

B. Related Party Transaction - Continued -

no later than September 1 of each year, a sum of money equal to three percent of its gross revenues from sales of utility services for the preceding fiscal year (exclusive of impact, administrative and tap fees) whether such sales occur within or outside the corporate limits of the City. The City received \$210,598 from the Water and Wastewater Board.

The North Alabama Gas District is governed by a Board of Directors composed of five members, two of whom are members of the City Council. The City received distributions based on the District's annual income. The City has no significant influence over the management, budget or policies of the District. During the fiscal year ended September 30, 2004, the City received \$200,804 from the North Alabama Gas District.

C. Related Organizations

The City's elected officials are responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City's elected officials appoints the board members of the Architectural Review Board, Beautification Board, Community Education Committee, Industrial Development Board, Recreation Advisory Board.

D. Subsequent Events

On October 11, 2004, the City of Madison approved the purchase a tractor trailer truck in the amount of \$42,492.

On October 25, 2004, the City of Madison approved the purchase a trailer in the amount of \$41,995.

On November 22, 2004, the City of Madison received a \$1.5 million State appropriation for the widening of Balch Road.

On December 1, 2004, the City of Madison approved an agreement with the City of Huntsville for repaving of Slaughter Road estimated to cost \$300,000.

On December 13, 2004, the City of Madison contracted for the design of the renovations of the lower floor at city hall for a cost range of \$42,000 - \$45,000.

On December 31, 2004, the City of Madison contracted for a design image for approximately \$48,000.

On January 24, 2005, the City of Madison contracted to construct improvements to a development in the amount of \$147,000.

On January 24, 2005, the City of Madison contracted for the design and construction of a drainage way in the amount of \$50,000.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5. OTHER INFORMATION - Continued

D. Subsequent Events - Continued -

In January 2005, a school resource officer vehicle was donated to the City with an estimated worth of \$71,200.

On February 4, 2005, the City approved payment to the State of Alabama of \$348,283 for widening of County Line Road.

On April 1, 2005, the City issued refunding warrants of \$18,775,000.

On April 25, 2005, the City accepted an insurance settlement in the amount of \$117,500.

On May 17, 2005, the City approved an agreement with the Alabama Department of Transportation for the Bradford Creek Greenway. The City's share of this agreement will be approximately \$468,000 over three years.

On May 25, 2005, the City entered into a contract for renovating the lower floor of the city hall for \$479,137.

E. Commitments and Contingencies

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although such amounts, if any, are expected to be immaterial.

F. Defined Benefits Pension Plan

Primary Government:

Plan Description

The City contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - Continued -

Primary Government:

Plan Description - Continued -

monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns, and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Funding Policy

The System members are required to contribute five percent (5%) of their annual covered salary. Effective January 1, 2001, the member contribution rate for correctional officers, certified full-time firefighters and certified full-time law enforcement officers increased to 6% of employees' compensation. The City is required to contribute at an actuarially determined rate. The current rate is 6.68% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the Retirement Systems of Alabama.

Annual Pension Cost

For fiscal year September 30, 2004, the City's annual pension cost of \$300,577 was equal to the City's required annual contributions. The required contribution was determined as part of the September 30, 2003 actuarial valuation using the entry age

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - Continued -

Annual Pension Cost - Continued -

actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, and (b) projected salary increases of 4.61% to 7.75% per year. There are no cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.50%. The actuarial valuation of System assets was determined using 5-year smoothed market values. The System's un-funded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at September 30, 2003 was 20 years.

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
9/30/01	\$373,450	100%	\$ -
9/30/02	\$439,302	100%	\$ -
9/30/03	\$520,379	100%	\$ -

Pension Plan – Discretely Presented Component Unit

Water and Wastewater Board

Plan Description

The Water and Wastewater Board contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Water and Wastewater Board. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - Continued -

Plan Description - Continued -

elective basis to all cities, counties, towns, and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

Funding Policy

The System members are required to contribute five percent (5%) of their annual covered salary. Effective January 1, 2001, the member contribution rate for correctional officers, certified full-time firefighters and certified full-time law enforcement officers increased to 6% of employees' compensation. The Water and Wastewater Board is required to contribute at an actuarially determined rate. The current rate is 5.68% of annual covered payroll. The contribution requirements of plan members and the Water and Wastewater Board are established and may be amended by the Retirement Systems of Alabama.

Annual Pension Cost

For fiscal year September 30, 2004, the Water and Wastewater Board's annual pension cost of \$119,386 was equal to the Water and Wastewater Board's required annual contributions. The required contribution was determined as part of the September 30, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, and (b) projected salary increases of 4.61% to 7.75% per year. There are no cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.50%. The actuarial valuation of System assets was determined using 5-year smoothed market values. The System's un-funded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at September 30, 2003 was 10 years.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - Continued -

Annual Pension Cost - Continued -

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
9/30/01	\$100,777	100%	\$ -
9/30/02	\$109,199	100%	\$ -
9/30/03	\$104,042	100%	\$ -

Madison City Board of Education

The Madison City Board of Education contributed to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system of the various state-supported education agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the Madison City Board of Education are members of the Teachers' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of Madison City Board of Education. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 30 years of service. Retirement benefits are calculated by two methods with the retirees receiving payment under the method that yields the highest monthly benefit.

The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Teachers' Retirement System was established October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by the state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefits provisions are established by the Code of Alabama 1975, 16-25-1 through 16-25-113, as amended, and 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. The report may be obtained by writing The Teachers' Retirement System of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

CITY OF MADISON, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5. OTHER INFORMATION - Continued

F. Defined Benefits Pension Plan - Continued -

Funding Policy

Employees of the Madison City Board of Education are required to contribute 5 percent of their salary to the Teachers' Retirement System. The Madison City Board of Education is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Alabama Legislature the contribution rate for the following fiscal year, with the legislature setting this rate in the annual appropriation bill.

The percentages of the contributions and the amount of contributions made by the Madison City Board of Education and the Madison City Board of Education's employees equal the required contribution for each year as follows:

Fiscal Year Ended September 30	<u>2004</u>	<u>2003</u>
Total percentages of covered payroll	97.00%	97.00%
<u>Contributions:</u>		
Percentage contribution by the Board	5.04%	6.00%
Percentage contribution by employees	5.00%	5.00%
Amount contributed by the Board	\$1,188,512	\$1,688,101
Amount contributed by employees	<u>1,183,777</u>	<u>1,286,728</u>
Total contributions	<u>\$2,372,289</u>	<u>\$2,974,829</u>



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MADISON, ALABAMA
SCHEDULE OF FUNDING PROGRESS – EMPLOYEES' RETIREMENT
SYSTEMS OF ALABAMA
September 30, 2004

Actuarial Valuation Payroll Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Accrued AAL (UAAL) (b-a)	Funded Ratio (a/b)	Unfunded Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/01	\$11,268,887	\$12,442,734	\$1,173,847	90.6%	\$7,727,425	15.2%
9/30/02	\$12,263,619	\$14,649,335	\$2,385,716	84.7%	\$8,578,763	28.0%
9/30/03	\$13,411,765	\$16,711,791	\$3,300,026	80.3%	\$9,469,986	34.8%



**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**CITY OF MADISON, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,265,812	\$ -	\$2,139,576	\$ 3,405,388
Cash with fiscal agent	-	656,368	-	656,368
Receivables, net				
Grant	3,485	-	-	3,485
Other	291,846	-	-	291,846
Due from other funds	<u>75,173</u>	<u>-</u>	<u>10,151</u>	<u>85,324</u>
Total Assets	<u>\$ 1,636,316</u>	<u>\$ 656,368</u>	<u>\$2,149,727</u>	<u>\$ 4,442,411</u>
LIABILITIES				
Accounts payable	\$ 210,400	\$ -	\$ 239,539	\$ 449,939
Accrued compensation and benefits	763	-	-	763
Due to other funds	121,030	-	-	121,030
Retainage payable	-	-	50,492	50,492
Deferred Revenue	<u>170,827</u>	<u>-</u>	<u>1,280,000</u>	<u>1,450,827</u>
Total Liabilities	503,020	-	1,570,031	2,073,051
FUND BALANCES				
Reserved for:				
Encumbrances	61,749	-	71,731	133,480
Restricted assets	1,067,364	-	507,965	1,575,329
Debt service	-	656,368	-	656,368
Unreserved	<u>4,183</u>	<u>-</u>	<u>-</u>	<u>4,183</u>
Total Fund Balances	<u>1,133,296</u>	<u>656,368</u>	<u>579,696</u>	<u>2,369,360</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,636,316</u>	<u>\$ 656,368</u>	<u>\$2,149,727</u>	<u>\$ 4,442,411</u>

CITY OF MADISON, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Property and payment in lieu of taxes	\$ 153,349	\$ -	\$ -	\$ 153,349
Intergovernmental	1,065,420	-	-	1,065,420
Fines	140,049	-	-	140,049
Charges for Services	38,775	-	-	38,775
Investment earnings	12,793	1,686	20,799	35,278
Contributions and donations	700	-	-	700
Other revenue	<u>-</u>	<u>4,641,757</u>	<u>932</u>	<u>4,642,689</u>
Total Revenues	1,411,086	4,643,443	21,731	6,076,260
EXPENDITURES				
General Administration	378,645	450	24	379,119
Police Protection	65,883	-	-	65,883
Public Works	511,575	-	10,935	522,510
Debt Service:				
Principal	-	2,370,000	-	2,370,000
Interest	-	5,261,253	-	5,261,253
Capital Outlay	<u>133,761</u>	<u>-</u>	<u>1,035,670</u>	<u>1,169,431</u>
Total Expenditures	<u>1,089,864</u>	<u>7,631,703</u>	<u>1,046,629</u>	<u>9,768,196</u>
Excess (deficiency) of revenues over (under) expenditures	321,222	(2,988,260)	(1,024,898)	(3,691,936)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	293,926	3,022,039	-	3,315,965
Transfers to other funds	<u>(493,385)</u>	<u>-</u>	<u>(8,042)</u>	<u>(501,427)</u>
Total Other Financing Sources (uses)	<u>(199,459)</u>	<u>3,022,039</u>	<u>(8,042)</u>	<u>2,814,538</u>
Net change in fund balances	121,763	33,779	(1,032,940)	(877,398)
Fund balances - Beginning of Year	<u>1,011,533</u>	<u>622,589</u>	<u>1,612,636</u>	<u>3,246,758</u>
Fund balances - End of Year	<u>\$1,133,296</u>	<u>\$ 656,368</u>	<u>\$ 579,696</u>	<u>\$ 2,369,360</u>



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Gasoline Taxes and Inspection Fee Fund – This fund is used to account for the City's share of the State 7-cent, 5-cent, 4-cent, petroleum inspection fees and the City 2-cent gasoline taxes. State law requires these gasoline taxes to be used for the operation and maintenance of streets and highways. The state limits the use of the 4-cent gasoline tax to resurfacing, restoring and rehabilitating roads and bridges. The City's 2-cent gasoline tax is used for the operation and maintenance of streets.

TVA Tax Distribution Fund – This fund is used to account for contributions to the school system.

Senior Center Donation Fund – This fund is used to account for the operation of the City's senior center. Funds provided to the City for the senior center may be used only for that purpose.

Library Fund – This fund is used to account for the operation of the City Public Library.

Japanese Garden Donation Fund – This fund is used to account for revenues and expenditures for the proposed Japanese Garden for Dublin Park. There is no approved budget for this fund.

Madison School Project Fund – This fund is used to account for the 11 mill property tax. There is no approved budget for this fund.

Correctional Fund – This fund is used to account for correction fines restricted by the State to be used for the operation and maintenance of municipal jail services and court related purposes.

Municipal Government Capital Improvement Fund – This fund is used to account for expenditures of revenues received from the state solely for capital improvements.

Federal Forfeiture Fund – This fund is used to account for sharing funds received from the U.S. Department of Justice and the U.S. Department of the Treasury. There is no approved budget for this fund.

Cemetery Fund – This fund is used to account for expenditures of revenues received from cemetery services.

Domestic Violence Fund – This fund is used to account for revenues and expenditures for the Violence Against Women grant.

Police Block Grant Fund – This fund is used to account for funds received from the state solely for police protection. There is no approved budget for this fund.

CITY OF MADISON, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Japanese Garden Donation Fund	Madison School Project Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Cemetery Fund	Domestic Violence Fund	Police Block Grant Fund	Total Nonmajor Governmental Funds
ASSETS													
Cash and cash equivalents	\$ 770,799	\$ 51,880	\$ 10,265	\$ 45,700	\$ -	\$ -	\$ -	\$ 345,206	\$ 29,852	\$ -	\$ -	\$ 12,110	\$ 1,265,812
Accounts receivable	120,127	8,814	-	162,905	-	-	-	-	-	-	-	-	291,846
Grants receivable	-	-	-	-	-	-	-	-	-	-	3,485	-	3,485
Due from other funds	74	-	-	19	1,971	-	29,519	-	2,430	38,775	2,385	-	75,173
Total assets	\$ 891,000	\$ 60,694	\$ 10,265	\$ 208,624	\$ 1,971	\$ -	\$ 29,519	\$ 345,206	\$ 32,282	\$ 38,775	\$ 5,870	\$ 12,110	\$ 1,636,316
LIABILITIES													
Accounts payable	\$ 169,547	\$ 33,482	\$ 2,999	\$ 1,295	\$ -	\$ -	\$ -	\$ -	\$ 3,077	\$ -	\$ -	\$ -	\$ 210,400
Accrued compensation and benefits	-	-	-	-	-	-	-	-	-	-	763	-	763
Due to Other Funds	38,733	23,029	3,328	-	-	-	-	36,459	-	15,996	3,485	-	121,030
Deferred Revenue	-	-	-	160,000	-	-	-	-	-	-	-	10,827	170,827
Total liabilities	208,280	56,511	6,327	161,295	-	-	-	36,459	3,077	15,996	4,248	10,827	503,020
FUND BALANCES													
Reserved	682,720	-	3,938	47,329	1,971	-	29,519	308,747	29,205	22,779	1,622	1,283	1,129,113
Unreserved	-	4,183	-	-	-	-	-	-	-	-	-	-	4,183
Total fund balances	682,720	4,183	3,938	47,329	1,971	-	29,519	308,747	29,205	22,779	1,622	1,283	1,133,296
Total liabilities and fund balances	\$ 891,000	\$ 60,694	\$ 10,265	\$ 208,624	\$ 1,971	\$ -	\$ 29,519	\$ 345,206	\$ 32,282	\$ 38,775	\$ 5,870	\$ 12,110	\$ 1,636,316

CITY OF MADISON, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Gasoline Taxes and Inspection Fees Fund	TVA Tax Distribution Fund	Senior Center Donation Fund	Library Fund	Japanese Garden Donation Fund	Madison School Project Fund	Correctional Fund	Municipal Government Capital Improvement Fund	Federal Forfeiture Fund	Cemetery Fund	Domestic Violence Fund	Police Block Grant Fund	Total Nonmajor Governmental Funds
REVENUES													
Intergovernmental:													
Gasoline Taxes	\$ 855,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 855,289
TVA Tax Proceeds	-	51,511	-	-	-	-	-	-	-	-	-	-	51,511
Property Tax	-	-	-	152,946	-	403	-	-	-	-	-	-	153,349
Other	-	-	-	-	-	-	-	125,489	-	-	-	-	125,489
Grant	-	-	-	-	-	-	-	-	-	-	33,131	-	33,131
Charges for Services	-	-	-	-	-	-	-	-	-	38,775	-	-	38,775
Fines	-	-	-	-	-	-	140,049	-	-	-	-	-	140,049
Donations	-	-	-	-	700	-	-	-	-	-	-	-	700
Investment Earnings	7,791	582	118	1,016	-	-	-	2,871	304	-	-	111	12,793
Total revenues	863,080	52,093	118	153,962	700	403	140,049	128,360	304	38,775	33,131	111	1,411,086
EXPENDITURES													
Current:													
General Administration	30	33,482	848	344,285	-	-	-	-	-	-	-	-	378,645
Police department	-	-	-	-	-	-	-	-	-	-	65,595	288	65,883
Public Works	495,579	-	-	-	-	-	-	-	-	15,996	-	-	511,575
Capital outlay	125,994	-	4,690	-	-	-	-	-	3,077	-	-	-	133,761
Total expenditures	621,603	33,482	5,538	344,285	-	-	-	-	3,077	15,996	65,595	288	1,089,864
Excess (deficiency) of revenues over (under) expenditures	241,477	18,611	(5,420)	(190,323)	700	403	140,049	128,360	(2,773)	22,779	(32,464)	(177)	321,222
OTHER FINANCING SOURCES (USES)													
Transfers from other funds	-	-	-	222,587	-	35,793	-	-	-	-	34,086	1,460	293,926
Transfers to other funds	(129,966)	(23,029)	-	-	-	(96,931)	(207,000)	(36,459)	-	-	-	-	(493,385)
Total other financing sources (uses)	(129,966)	(23,029)	-	222,587	-	(61,138)	(207,000)	(36,459)	-	-	34,086	1,460	(199,459)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	111,511	(4,418)	(5,420)	32,264	700	(60,735)	(66,951)	91,901	(2,773)	22,779	1,622	1,283	121,763
Fund balances - beginning of year	571,209	8,601	9,358	15,065	1,271	60,735	96,470	216,846	31,978	-	-	-	1,011,533
Fund balances - end of year	\$ 682,720	\$ 4,183	\$ 3,938	\$ 47,329	\$ 1,971	\$ -	\$ 29,519	\$ 308,747	\$ 29,205	\$ 22,779	\$ 1,622	\$ 1,283	\$ 1,133,296



CITY OF MADISON, ALABAMA
GASOLINE TAXES AND INSPECTION FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
State Gasoline Taxes	\$ 568,800	\$ 586,877	\$ 18,077
2-Cent Gasoline Taxes	295,000	268,412	(26,588)
Investment Earnings	10,600	7,791	(2,809)
TOTAL REVENUES	874,400	863,080	(11,320)
EXPENDITURES			
Current:			
General Administration	-	30	(30)
Public Works	734,220	495,579	238,641
Capital Outlay	279,255	125,994	153,261
TOTAL EXPENDITURES	1,013,475	621,603	391,872
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(139,075)	241,477	380,552
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(204,966)	(129,966)	75,000
TOTAL OTHER FINANCING SOURCES (USES)	(204,966)	(129,966)	75,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(344,041)	111,511	455,552
FUND BALANCE AT BEGINNING OF YEAR	571,209	571,209	-
FUND BALANCE AT END OF YEAR	\$ 227,168	\$ 682,720	\$ 455,552

CITY OF MADISON, ALABAMA
TVA TAX DISTRIBUTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
TVA Tax Proceeds	\$ 55,000	\$ 51,511	\$ (3,489)
Investment Earnings	<u>550</u>	<u>582</u>	<u>32</u>
TOTAL REVENUES	55,550	52,093	(3,457)
EXPENDITURES			
Current:			
General Administration	<u>35,750</u>	<u>33,482</u>	<u>2,268</u>
TOTAL EXPENDITURES	<u>35,750</u>	<u>33,482</u>	<u>2,268</u>
EXCESS OF REVENUES OVER EXPENDITURES	19,800	18,611	(1,189)
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(19,250)</u>	<u>(23,029)</u>	<u>(3,779)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(19,250)</u>	<u>(23,029)</u>	<u>(3,779)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	550	(4,418)	(4,968)
FUND BALANCE AT BEGINNING OF YEAR	<u>8,601</u>	<u>8,601</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 9,151</u>	<u>\$ 4,183</u>	<u>\$ (4,968)</u>

CITY OF MADISON, ALABAMA
 SENIOR CENTER DONATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES			
Donations	\$ 1,000	\$ -	\$ (1,000)
Investment Earnings	<u>100</u>	<u>118</u>	<u>18</u>
TOTAL REVENUES	1,100	118	(982)
EXPENDITURES			
Current:			
General Administration	1,100	848	252
Capital Outlay	<u>-</u>	<u>4,690</u>	<u>(4,690)</u>
TOTAL EXPENDITURES	<u>1,100</u>	<u>5,538</u>	<u>(4,438)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(5,420)	(5,420)
FUND BALANCE AT BEGINNING OF YEAR	<u>9,358</u>	<u>9,358</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 9,358</u>	<u>\$ 3,938</u>	<u>\$ (5,420)</u>

CITY OF MADISON, ALABAMA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
Property Tax	\$ 150,000	\$ 152,946	\$ 2,946
Investment Earnings	500	1,016	516
	150,500	153,962	3,462
TOTAL REVENUES			
EXPENDITURES			
Current:			
General Administration	365,144	344,285	20,859
	365,144	344,285	20,859
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(214,644)	(190,323)	24,321
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	224,047	222,587	(1,460)
	224,047	222,587	(1,460)
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	9,403	32,264	22,861
FUND BALANCE AT BEGINNING OF YEAR	15,065	15,065	-
FUND BALANCE AT END OF YEAR	\$ 24,468	\$ 47,329	\$ 22,861

CITY OF MADISON, ALABAMA
CORRECTIONAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget- Positive (Negative)
REVENUES			
Fines	\$ 157,152	\$ 140,049	\$ (17,103)
TOTAL REVENUES	157,152	140,049	(17,103)
EXPENDITURES			
Current:			
General Administration	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	157,152	140,049	(17,103)
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(207,152)	(207,000)	152
TOTAL OTHER FINANCING SOURCES (USES)	(207,152)	(207,000)	152
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(50,000)	(66,951)	(16,951)
FUND BALANCE AT BEGINNING OF YEAR	96,470	96,470	-
FUND BALANCE AT END OF YEAR	\$ 46,470	\$ 29,519	\$ (16,951)

CITY OF MADISON, ALABAMA
MUNICIPAL GOVERNMENT CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget- Positive (Negative)
REVENUES			
Other	\$ 113,000	\$ 125,489	\$ 12,489
Investment Earnings	<u>1,000</u>	<u>2,871</u>	<u>1,871</u>
TOTAL REVENUES	114,000	128,360	14,360
EXPENDITURES			
Current:			
General Administration	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	114,000	128,360	14,360
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	<u>(113,000)</u>	<u>(36,459)</u>	<u>76,541</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(113,000)</u>	<u>(36,459)</u>	<u>76,541</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,000	91,901	90,901
FUND BALANCE AT BEGINNING OF YEAR	<u>216,846</u>	<u>216,846</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 217,846</u>	<u>\$ 308,747</u>	<u>\$ 90,901</u>

CITY OF MADISON, ALABAMA
 CEMETERY FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES			
Charges for Services	\$ 24,100	\$ 38,775	\$ 14,675
TOTAL REVENUES	24,100	38,775	14,675
EXPENDITURES			
Current:			
Public Works	20,000	15,996	4,004
TOTAL EXPENDITURES	20,000	15,996	4,004
EXCESS OF REVENUES OVER EXPENDITURES	4,100	22,779	18,679
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ 4,100	\$ 22,779	\$ 18,679

CITY OF MADISON, ALABAMA
 DOMESTIC VIOLENCE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Final Budget- Positive (Negative)
REVENUES			
Intergovernmental:			
Grant	\$ 32,400	\$ 33,131	\$ 731
TOTAL REVENUES	32,400	33,131	731
EXPENDITURES			
Current:			
Police Department	61,660	65,595	(3,935)
TOTAL EXPENDITURES	61,660	65,595	(3,935)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29,260)	(32,464)	(3,204)
OTHER FINANCING SOURCES			
Transfers from other funds	29,260	34,086	4,826
TOTAL OTHER FINANCING SOURCES	29,260	34,086	4,826
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	1,622	1,622
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ 1,622	\$ 1,622



NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from government resources.

1995 Bond Fund – This fund is used to account for the accumulation of resources for the payment of the general obligation warrants dated April 1, 1995. The ½ cent sales tax and the 5½ - mill property tax will provide 100% of the debt service requirements for the outstanding general obligation warrants.

1998-A Bond Fund – This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated April 1, 1998. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

1998-B Bond Fund – This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated September 1, 1998. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

1998-C Bond Fund – This fund is used to account for the accumulation of resources for the payment of the general obligation warrants dated September 1, 1998. The ½ cent sales tax and the 5½-mill property tax will provide 100% of the debt service requirements for the outstanding general obligation warrants.

1999 Bond Fund – This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated March 15, 1999. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

2000 Bond Fund – This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated April 1, 2000. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

2001 Bond Fund – This fund is used to account for the accumulation of resources for the payment of the general obligation warrants dated June 1, 2001. The ½ cent sales tax and the 5½-mill property tax will provide 100% of the debt service requirements for the outstanding general obligation warrants.

2001-A Bond Fund – This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated November 1, 2001. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

2002 Bond Fund – This fund is used to account for the accumulation of resources for the payment of the general obligation school warrants dated October 1, 2002. The 11-mill property tax and resources dedicated by Madison City Board of Education will provide 100% of the debt service requirements for the outstanding general obligation school warrants.

CITY OF MADISON, ALABAMA
DEBT SERVICE FUND
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	1995 Bond Fund	1998-A Bond Fund	1998-B Bond Fund	1998-C Bond Fund	1999 Bond Fund	2000 Bond Fund	2001 Bond Fund	2001-A Bond Fund	2002 Bond Fund	Total Nonmajor Governmental Funds
ASSETS										
Cash with fiscal agent	\$ 572,311	\$ 53	\$ 81	\$ 601	\$ 83	\$ 83,105	\$ -	\$ 87	\$ 47	\$ 656,368
Total assets	<u>\$ 572,311</u>	<u>\$ 53</u>	<u>\$ 81</u>	<u>\$ 601</u>	<u>\$ 83</u>	<u>\$ 83,105</u>	<u>\$ -</u>	<u>\$ 87</u>	<u>\$ 47</u>	<u>\$ 656,368</u>
LIABILITIES										
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES										
Reserved	<u>572,311</u>	<u>53</u>	<u>81</u>	<u>601</u>	<u>83</u>	<u>83,105</u>	<u>-</u>	<u>87</u>	<u>47</u>	<u>656,368</u>
Total fund balances	<u>572,311</u>	<u>53</u>	<u>81</u>	<u>601</u>	<u>83</u>	<u>83,105</u>	<u>-</u>	<u>87</u>	<u>47</u>	<u>656,368</u>
Total liabilities and fund balances	<u>\$ 572,311</u>	<u>\$ 53</u>	<u>\$ 81</u>	<u>\$ 601</u>	<u>\$ 83</u>	<u>\$ 83,105</u>	<u>\$ -</u>	<u>\$ 87</u>	<u>\$ 47</u>	<u>\$ 656,368</u>

CITY OF MADISON, ALABAMA
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	1995 Bond Fund	1998-A Bond Fund	1998-B Bond Fund	1998-C Bond Fund	1999 Bond Fund	2000 Bond Fund	2001 Bond Fund	2001-A Bond Fund	2002 Bond Fund	Total Nonmajor Governmental Funds
REVENUES										
Investment earnings	\$ 969	\$ 100	\$ 81	\$ 157	\$ 83	\$ 24	\$ -	\$ 125	\$ 147	\$ 1,686
Other revenues	-	454,939	970,561	-	988,119	373,418	-	562,817	1,291,903	4,641,757
Total revenues	969	455,039	970,642	157	988,202	373,442	-	562,942	1,292,050	4,643,443
EXPENDITURES										
Current:										
General Administration	285	27	-	-	-	-	-	38	100	450
Debt service										
Principal	295,000	135,000	405,000	-	400,000	120,000	385,000	205,000	425,000	2,370,000
Interest	1,066,798	321,329	565,575	797,095	588,132	170,906	485,890	358,093	907,435	5,261,253
Total expenditures	1,362,083	456,356	970,575	797,095	988,132	290,906	870,890	563,131	1,332,535	7,631,703
Excess (deficiency) of revenues over (under) expenditures	(1,361,114)	(1,317)	67	(796,938)	70	82,536	(870,890)	(189)	(40,485)	(2,988,260)
OTHER FINANCING SOURCES										
Transfers from other funds	1,354,054	-	-	797,095	-	-	870,890	-	-	3,022,039
Total other financing sources	1,354,054	-	-	797,095	-	-	870,890	-	-	3,022,039
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(7,060)	(1,317)	67	157	70	82,536	-	(189)	(40,485)	33,779
Fund balances - beginning of year	579,371	1,370	14	444	13	569	-	276	40,532	622,589
Fund balances - end of year	\$ 572,311	\$ 53	\$ 81	\$ 601	\$ 83	\$ 83,105	\$ -	\$ 87	\$ 47	\$ 656,368



CITY OF MADISON, ALABAMA
 1995 BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 969	\$ 469
TOTAL REVENUES	500	969	469
EXPENDITURES			
Current:			
General Administration	-	286	(286)
Debt Service:			
Principal	295,000	295,000	-
Interest	1,066,798	1,066,797	1
TOTAL EXPENDITURES	1,361,798	1,362,083	(285)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,361,298)	(1,361,114)	184
OTHER FINANCING SOURCES			
Transfers from other funds	1,361,798	1,354,054	(7,744)
TOTAL OTHER FINANCING SOURCES	1,361,798	1,354,054	(7,744)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	500	(7,060)	(7,560)
FUND BALANCE AT BEGINNING OF YEAR	579,371	579,371	-
FUND BALANCE AT END OF YEAR	\$ 579,871	\$ 572,311	\$ (7,560)

CITY OF MADISON, ALABAMA
 1998-A BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 100	\$ (400)
Other Revenues	456,329	454,939	(1,390)
TOTAL REVENUES	456,829	455,039	(1,790)
EXPENDITURES			
Current:			
General Administration	-	27	(27)
Debt Service:			
Principal	135,000	135,000	-
Interest	321,329	321,329	-
TOTAL EXPENDITURES	456,329	456,356	(27)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	(1,317)	(1,817)
FUND BALANCE AT BEGINNING OF YEAR	1,370	1,370	-
FUND BALANCE AT END OF YEAR	\$ 1,870	\$ 53	\$ (1,817)

CITY OF MADISON, ALABAMA
 1998-B BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ 500	\$ 81	\$ (419)
Other Revenues	<u>970,575</u>	<u>970,561</u>	<u>(14)</u>
TOTAL REVENUES	971,075	970,642	(433)
EXPENDITURES			
Debt Service:			
Principal	405,000	405,000	-
Interest	<u>565,575</u>	<u>565,575</u>	<u>-</u>
TOTAL EXPENDITURES	<u>970,575</u>	<u>970,575</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	67	(433)
FUND BALANCE AT BEGINNING OF YEAR	<u>14</u>	<u>14</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 514</u>	<u>\$ 81</u>	<u>\$ (433)</u>

CITY OF MADISON, ALABAMA
 1998-C BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 157	\$ (343)
TOTAL REVENUES	500	157	(343)
EXPENDITURES			
Debt Service: Interest	<u>797,095</u>	<u>797,095</u>	<u>-</u>
TOTAL EXPENDITURES	<u>797,095</u>	<u>797,095</u>	<u>-</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(796,595)	(796,938)	(343)
OTHER FINANCING SOURCES			
Transfers from other funds	<u>797,095</u>	<u>797,095</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>797,095</u>	<u>797,095</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	500	157	(343)
FUND BALANCE AT BEGINNING OF YEAR	<u>444</u>	<u>444</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 944</u>	<u>\$ 601</u>	<u>\$ (343)</u>

CITY OF MADISON, ALABAMA
 1999 BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ 500	\$ 83	\$ (417)
Other Revenues	<u>988,133</u>	<u>988,119</u>	<u>(14)</u>
TOTAL REVENUES	988,633	988,202	(431)
EXPENDITURES			
Debt Service:			
Principal	400,000	400,000	-
Interest	<u>588,133</u>	<u>588,132</u>	<u>1</u>
TOTAL EXPENDITURES	<u>988,133</u>	<u>988,132</u>	<u>1</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	70	(430)
FUND BALANCE AT BEGINNING OF YEAR	<u>13</u>	<u>13</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 513</u>	<u>\$ 83</u>	<u>\$ (430)</u>

CITY OF MADISON, ALABAMA
2000 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 24	\$ (476)
Other Revenues	290,905	373,418	82,513
TOTAL REVENUES	291,405	373,442	82,037
EXPENDITURES			
Current:			
General Administration	-	-	-
Debt Service:			
Principal	120,000	120,000	-
Interest	170,905	170,906	(1)
TOTAL EXPENDITURES	290,905	290,906	(1)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	82,536	82,036
FUND BALANCE AT BEGINNING OF YEAR	569	569	-
FUND BALANCE AT END OF YEAR	\$ 1,069	\$ 83,105	\$ 82,036

CITY OF MADISON, ALABAMA
2001 BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ -	\$ (500)
TOTAL REVENUES	500	-	(500)
EXPENDITURES			
Debt Service:			
Principal	385,000	385,000	-
Interest	485,890	485,890	-
TOTAL EXPENDITURES	870,890	870,890	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(870,390)	(870,890)	(500)
OTHER FINANCING SOURCES			
Transfers from other funds	870,890	870,890	-
TOTAL OTHER FINANCING SOURCES (USES)	870,890	870,890	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	500	-	(500)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ 500	\$ -	\$ (500)

CITY OF MADISON, ALABAMA
2001-A BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Final Amended Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Investment Earnings	\$ 500	\$ 125	\$ (375)
Other Revenues	<u>563,092</u>	<u>562,817</u>	<u>(275)</u>
TOTAL REVENUES	563,592	562,942	(650)
EXPENDITURES			
Current:			
General Administration	-	38	(38)
Debt Service:			
Principal	358,092	205,000	153,092
Interest	<u>205,000</u>	<u>358,093</u>	<u>(153,093)</u>
TOTAL EXPENDITURES	<u>563,092</u>	<u>563,131</u>	<u>(39)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	(189)	(689)
FUND BALANCE AT BEGINNING OF YEAR	<u>276</u>	<u>276</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 776</u>	<u>\$ 87</u>	<u>\$ (689)</u>

CITY OF MADISON, ALABAMA
 2002 BOND FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Final Amended Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Investment Earnings	\$ 500	\$ 147	\$ (353)
Other Revenues	<u>1,332,435</u>	<u>1,291,903</u>	<u>(40,532)</u>
TOTAL REVENUES	1,332,935	1,292,050	(40,885)
EXPENDITURES			
Current:			
General Administration	-	100	(100)
Debt Service:			
Principal	425,000	425,000	-
Interest	<u>907,435</u>	<u>907,435</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,332,435</u>	<u>1,332,535</u>	<u>(100)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500	(40,485)	(40,985)
FUND BALANCE AT BEGINNING OF YEAR	<u>40,532</u>	<u>40,532</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 41,032</u>	<u>\$ 47</u>	<u>\$ (40,985)</u>



NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

The capital projects fund is used to account for financial resources segregated for the acquisition and construction of major capital facilities.

Long Range Plan – This fund is used to account for capital improvements for the Crunk Drainage Project.

1998-C Long Range Plan – This fund is used to account for a variety of public works projects and various capital improvements in the City consisting of public safety, recreation and other improvements.

General Obligation Capital Improvement – This fund is used to account for a variety of public works projects and various capital improvements in the City consisting of public safety, recreation and other improvements.

Forward Purchase Bond Account – This fund is used to account for the Forward Purchase contract fees for the series 1995 General Obligation Warrants.

CITY OF MADISON, ALABAMA
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2004

	Long Range Plan Fund	1998-C Long Range Plan Fund	General Obligation Capital Improvement Fund	Forward Purchase Bond Account	Total Nonmajor Governmental Fund
ASSETS					
Cash and cash equivalents	\$ 113,785	\$ 497,033	\$ 269,201	\$ 1,259,557	\$ 2,139,576
Due from other funds	-	10,151	-	-	10,151
Total assets	<u>\$ 113,785</u>	<u>\$ 507,184</u>	<u>\$ 269,201</u>	<u>\$ 1,259,557</u>	<u>\$ 2,149,727</u>
LIABILITIES					
Accounts payable	\$ -	\$ 239,539	\$ -	\$ -	\$ 239,539
Retainage payable	-	50,492	-	-	50,492
Deferred revenue	30,000	-	-	1,250,000	1,280,000
Total liabilities	30,000	290,031	-	1,250,000	1,570,031
FUND BALANCES					
Reserved	83,785	217,153	269,201	9,557	579,696
Total fund balances	<u>83,785</u>	<u>217,153</u>	<u>269,201</u>	<u>9,557</u>	<u>579,696</u>
Total liabilities and fund balances	<u>\$ 113,785</u>	<u>\$ 507,184</u>	<u>\$ 269,201</u>	<u>\$ 1,259,557</u>	<u>\$ 2,149,727</u>

CITY OF MADISON, ALABAMA
 CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Long Range Plan Fund	1998-C Long Range Plan Fund	General Obligation Capital Improvement Fund	Forward Purchase Bond Account	Total Nonmajor Governmental Fund
REVENUES					
Miscellaneous	\$ -	\$ 932	\$ -	\$ -	\$ 932
Investment earnings	<u>452</u>	<u>7,826</u>	<u>2,952</u>	<u>9,569</u>	<u>20,799</u>
Total revenues	452	8,758	2,952	9,569	21,731
EXPENDITURES					
Current:					
General Administration	-	-	12	12	24
Public Works	-	10,935	-	-	10,935
Capital Outlay	<u>-</u>	<u>1,035,670</u>	<u>-</u>	<u>-</u>	<u>1,035,670</u>
Total expenditures	<u>-</u>	<u>1,046,605</u>	<u>12</u>	<u>12</u>	<u>1,046,629</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	452	(1,037,847)	2,940	9,557	(1,024,898)
OTHER FINANCING SOURCES (USES)					
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(8,042)</u>	<u>-</u>	<u>(8,042)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(8,042)</u>	<u>-</u>	<u>(8,042)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	452	(1,037,847)	(5,102)	9,557	(1,032,940)
FUND BALANCE AT BEGINNING OF YEAR	<u>83,333</u>	<u>1,255,000</u>	<u>274,303</u>	<u>-</u>	<u>1,612,636</u>
FUND BALANCE AT END OF YEAR	<u>\$ 83,785</u>	<u>\$ 217,153</u>	<u>\$ 269,201</u>	<u>\$ 9,557</u>	<u>\$ 579,696</u>



**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**



CITY OF MADISON, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2004 and 2003

	2004	2003
Governmental funds capital assets:		
Land	\$ 5,415,852	\$ 4,041,635
Buildings	10,710,321	9,930,366
Improvements to buildings	326,235	287,856
Improvements other than buildings	1,265,753	1,022,225
Machinery and equipment	10,472,627	9,594,474
Infrastructure	9,962,272	4,043,849
Other	3,500	3,500
Construction in progress	2,536,425	1,737,916
 Total governmental funds capital assets	 \$ 40,692,985	 \$ 30,661,821
 Investments in governmental funds capital assets by source:		
Current revenues	\$ 39,706,883	\$ 30,207,281
Federal and state grants	986,102	454,540
 Total governmental funds capital assets	 \$ 40,692,985	 \$ 30,661,821

CITY OF MADISON, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 September 30, 2004

Function and Activity	Land	Buildings	Improvements to Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Other	Construction in Progress	Total
General Government:									
General Administration	\$ 1,259,270	\$ 3,275,439	\$ 168,376	\$ 21,257	\$ 586,426	\$ 3,694	\$ -	\$ -	\$ 5,314,462
City Clerk	-	-	-	-	76,224	-	-	-	76,224
Court Clerk	-	-	-	-	50,532	-	-	-	50,532
City Council	-	-	-	-	28,452	-	-	-	28,452
Finance	-	-	-	-	135,088	-	-	-	135,088
Human Resources	-	-	-	-	40,372	-	-	-	40,372
Mayor's Office	-	-	-	-	21,769	-	-	-	21,769
Revenue	-	-	-	-	24,697	-	-	-	24,697
Information Technology	-	-	-	-	128,510	-	-	-	128,510
Legal	-	-	-	-	2,830	-	-	-	2,830
Total General Government	<u>1,259,270</u>	<u>3,275,439</u>	<u>168,376</u>	<u>21,257</u>	<u>1,094,900</u>	<u>3,694</u>	<u>-</u>	<u>-</u>	<u>5,822,936</u>
Public Safety:									
Police	-	6,139	50,146	-	2,667,889	-	3,500	-	2,727,674
Fire	134,000	2,078,341	12,291	-	3,007,440	-	-	-	5,232,072
Community Development	-	-	-	-	154,144	-	-	-	154,144
Total Public Safety	<u>134,000</u>	<u>2,084,480</u>	<u>62,437</u>	<u>-</u>	<u>5,829,473</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>8,113,890</u>
Highways and streets:									
Public Works	2,441,105	188,153	-	829	2,398,107	9,955,578	-	2,437,900	17,421,672
Engineering	-	-	-	-	89,827	-	-	-	89,827
Total Highways and streets	<u>2,441,105</u>	<u>188,153</u>	<u>-</u>	<u>829</u>	<u>2,487,934</u>	<u>9,955,578</u>	<u>-</u>	<u>2,437,900</u>	<u>17,511,499</u>
Culture and recreation									
Parks and Recreation	1,581,477	5,162,249	51,181	1,241,877	970,864	3,000	-	98,525	9,109,173
Senior Center	-	-	44,241	1,790	89,456	-	-	-	135,487
Total Culture and recreation	<u>1,581,477</u>	<u>5,162,249</u>	<u>95,422</u>	<u>1,243,667</u>	<u>1,060,320</u>	<u>3,000</u>	<u>-</u>	<u>98,525</u>	<u>9,244,660</u>
Total governmental funds capital assets	<u>\$ 5,415,852</u>	<u>\$ 10,710,321</u>	<u>\$ 326,235</u>	<u>\$ 1,265,753</u>	<u>\$ 10,472,627</u>	<u>\$ 9,962,272</u>	<u>\$ 3,500</u>	<u>\$ 2,536,425</u>	<u>\$ 40,692,985</u>

CITY OF MADISON, ALABAMA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

Function and Activity	Governmental Funds Capital Assets Oct. 1, 2003	Additions	Transfers In (Out)	Deductions	Governmental Funds Capital Assets Sept. 30, 2004
General Government:					
General Administration	\$ 5,193,809	\$ 122,170	\$ -	\$ (1,517)	\$ 5,314,462
City Clerk	77,534	1,422	(956)	(1,776)	76,224
Court Clerk	55,843	-	(4,993)	(318)	50,532
City Council	28,452	-	-	-	28,452
Finance	133,665	1,423	-	-	135,088
Human Resources	40,005	1,423	(525)	(531)	40,372
Mayor's Office	24,659	-	(2,890)	-	21,769
Revenue	22,887	2,875	-	(1,065)	24,697
Information Technology	105,142	15,809	7,559	-	128,510
Legal	2,830	-	-	-	2,830
Total General Government	<u>5,684,826</u>	<u>145,122</u>	<u>(1,805)</u>	<u>(5,207)</u>	<u>5,822,936</u>
Public Safety:					
Police	2,566,040	216,218	(13,911)	(40,673)	2,727,674
Fire	4,438,125	879,164	(18,507)	(66,710)	5,232,072
Community Development	153,723	-	421	-	154,144
Total Public Safety	<u>7,157,888</u>	<u>1,095,382</u>	<u>(31,997)</u>	<u>(107,383)</u>	<u>8,113,890</u>
Highways and streets:					
Public Works	8,986,879	8,503,979	2,900	(72,086)	17,421,672
Engineering	77,532	-	15,295	(3,000)	89,827
Total Highways and streets	<u>9,064,411</u>	<u>8,503,979</u>	<u>18,195</u>	<u>(75,086)</u>	<u>17,511,499</u>
Culture and recreation:					
Parks and Recreation	8,628,910	491,437	15,607	(26,781)	9,109,173
Senior Center	125,786	10,050	-	(349)	135,487
Total Culture and recreation	<u>8,754,696</u>	<u>501,487</u>	<u>15,607</u>	<u>(27,130)</u>	<u>9,244,660</u>
Total governmental funds capital assets	<u>\$ 30,661,821</u>	<u>\$ 10,245,970</u>	<u>\$ -</u>	<u>\$ (214,806)</u>	<u>\$ 40,692,985</u>



**GENERAL INFORMATION AND
STATISTICAL DATA**

CITY OF MADISON, ALABAMA
Government-wide Expenses by Function
Last Two Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Culture and Recreation</u>	<u>Interest on Long-term Debt</u>	<u>Total</u>
2003	\$ 5,703,386	\$ 6,779,539	\$ 3,445,395	\$ 1,841,452	\$ 5,242,670	\$ 23,012,442
2004	\$ 6,242,751	\$ 7,546,421	\$ 3,704,357	\$ 1,927,993	\$ 5,339,585	\$ 24,761,107

CITY OF MADISON, ALABAMA
Government-wide Revenues by Source
Last Two Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	Total
2003	\$3,611,914	\$275,534	\$5,694,581	\$15,780,662	\$237,034	(\$17,076,636)	\$8,523,089
2004	\$3,867,795	\$462,353	\$7,551,944	\$17,046,307	\$130,950	\$5,772,384	\$34,831,733

CITY OF MADISON, ALABAMA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
General, Special Revenues, Capital Projects and Debt Service Funds
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Recreation	Capital Outlay	Debt Service	Capital Project Construction	Total
1995	\$ 2,732,536	\$ 2,357,186	\$ 1,506,988	\$ 632,097	\$ 505,796	\$ 2,267,243	\$ 1,130,644	\$ 11,132,490
1996	\$ 2,815,068	\$ 2,825,061	\$ 1,606,490	\$ 609,776	\$ 4,001,380	\$ 3,242,155	\$ 1,387,563	\$ 16,487,493
1997	\$ 2,843,385	\$ 3,574,010	\$ 1,633,499	\$ 794,182	\$ 4,253,408	\$ 3,151,171	\$ 940,311	\$ 17,189,966
1998	\$ 2,224,302	\$ 3,901,693	\$ 2,254,772	\$ 2,200,819	\$ 5,984,068	\$ 3,396,880	\$ 1,686,255	\$ 21,648,789
1999	\$ 3,463,667	\$ 4,439,019	\$ 4,176,168	\$ 2,858,534	\$ 1,568,988	\$ 4,572,764	\$ 120,282	\$ 21,199,422
2000	\$ 4,208,540	\$ 5,209,781	\$ 2,195,194	\$ 1,467,214	\$ 861,076	\$ 4,641,821	\$ 2,310,409	\$ 20,894,035
2001	\$ 4,707,067	\$ 5,693,081	\$ 2,340,708	\$ 1,573,551	\$ 1,733,239	\$ 5,100,869	\$ 3,592,272	\$ 24,740,787
2002	\$ 4,814,553	\$ 5,886,680	\$ 2,893,175	\$ 1,682,626	\$ 392,701	\$ 6,273,598	\$ 1,855,192	\$ 23,798,525
2003	\$ 5,459,094	\$ 6,492,605	\$ 3,277,857	\$ 1,647,708	\$ 8,767,979	\$ 7,668,308	*	\$ 33,313,551
2004	\$ 6,055,481	\$ 7,201,677	\$ 3,443,270	\$ 1,700,421	\$ 10,245,968	\$ 8,010,230	*	\$ 36,657,047

* Expenditures for "Capital Project Construction" are included in "Capital Outlay".

CITY OF MADISON, ALABAMA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
General, Special Revenues, Capital Projects and Debt Service Funds
Last Ten Fiscal Years

Fiscal Year	Property Tax and Payment in Lieu of Taxes	Local Taxes and Services	Licenses and Permits	Fines	Intergovernmental	Charges for Services	Contributions and Donations	Other	Total
1995	\$ +	\$ 4,513,665	\$ 1,366,008	\$ 345,349	\$ 4,562,544	\$ *	\$ *	\$ 1,255,029	\$ 12,042,595
1996	\$ +	\$ 4,885,290	\$ 1,332,779	\$ 299,534	\$ 4,530,029	\$ *	\$ *	\$ 1,508,021	\$ 12,555,653
1997	\$ +	\$ 5,364,116	\$ 1,481,522	\$ 396,921	\$ 4,744,006	\$ *	\$ *	\$ 1,171,670	\$ 13,158,235
1998	\$ +	\$ 5,852,888	\$ 1,706,341	\$ 593,819	\$ 5,461,852	\$ *	\$ *	\$ 1,314,259	\$ 14,929,159
1999	\$ +	\$ 8,043,069	\$ 1,914,027	\$ 609,290	\$ 3,995,772	\$ *	\$ *	\$ 1,670,155	\$ 16,232,313
2000	\$ +	\$ 8,632,739	\$ 1,949,458	\$ 808,182	\$ 4,290,893	\$ *	\$ *	\$ 1,635,090	\$ 17,316,362
2001	\$ +	\$ 10,069,554	\$ 2,056,508	\$ 761,915	\$ 4,677,447	\$ *	\$ *	\$ 1,436,205	\$ 19,001,629
2002	\$ +	\$ 9,579,219	\$ 2,212,986	\$ 734,075	\$ 5,166,261	\$ *	\$ *	\$ 1,341,519	\$ 19,034,060
2003	\$ 3,796,378	\$ 10,172,098	\$ 2,162,875	\$ 785,322	\$ 1,910,436	\$ 585,407	\$ 17,745	\$ 422,287	\$ 19,852,548
2004	\$ 4,029,419	\$ 11,201,310	\$ 2,299,540	\$ 752,292	\$ 2,448,784	\$ 636,908	\$ 79,092	\$ 5,764,674	\$ 27,212,019

+ "Property Tax and Payment in Lieu of Taxes" are included in "Intergovernmental".

* "Charges for Services" and "Contributions and Donations" are included in "Other".

CITY OF MADISON, ALABAMA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
General, Special Revenues, Capital Projects and Debt Service Funds
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sales and Use</u>	<u>Liquor</u>	<u>Lodging</u>	<u>Rental</u>	<u>Wine</u>	<u>Cigarette</u>	<u>Total</u>
1995	\$ 3,952,907	\$ 78,499	\$ 182,941	\$ 249,041	\$ 14,487	\$ 35,790 *	\$ 4,513,665
1996	\$ 4,157,597	\$ 89,843	\$ 253,584	\$ 267,886	\$ 14,400	\$ 101,980	\$ 4,885,290
1997	\$ 4,576,519	\$ 100,998	\$ 301,237	\$ 270,820	\$ 14,602	\$ 99,940	\$ 5,364,116
1998	\$ 5,046,860	\$ 97,065	\$ 283,898	\$ 310,512	\$ 16,468	\$ 98,085	\$ 5,852,888
1999	\$ 7,039,472	\$ 135,644	\$ 402,078	\$ 340,527	\$ 19,143	\$ 106,205	\$ 8,043,069
2000	\$ 7,646,151	\$ 142,742	\$ 378,267	\$ 353,501	\$ 20,643	\$ 91,435	\$ 8,632,739
2001	\$ 8,961,877	\$ 147,795	\$ 400,663	\$ 439,322	\$ 24,307	\$ 95,590	\$ 10,069,554
2002	\$ 8,570,329	\$ 136,812	\$ 395,002	\$ 377,241	\$ 22,683	\$ 77,148	\$ 9,579,219
2003	\$ 8,898,555	\$ 166,143	\$ 416,387	\$ 362,116	\$ 24,883	\$ 80,441	\$ 9,948,525
2004	\$ 9,605,607	\$ 187,777	\$ 673,728	\$ 339,205	\$ 24,731	\$ 148,573	\$ 10,979,621

* First year for tax (partial year).

**CITY OF MADISON, ALABAMA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collected</u>
1995	\$ 3,008,780	\$ 3,001,410	99.76%
1996	\$ 3,186,672	\$ 3,181,672	99.84%
1997	\$ *	\$ 3,492,197	*
1998	\$ 3,749,053	\$ 3,747,452	99.96%
1999	\$ *	\$ 2,331,405	*
2000	\$ 2,626,657	\$ 2,504,928	95.37%
2001	\$ 3,028,293	\$ 2,886,290	95.31%
2002	\$ *	\$ *	*
2003	\$ *	\$ 3,796,378	*
2004	\$ *	\$ 4,029,419	*

* Data not available.

Source: Madison County, Alabama Tax Assessor

CITY OF MADISON, ALABAMA
 PRINCIPAL TAXPAYERS
 September 30, 2004

Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
Intergraph Corporation	Computer Sales	\$ 8,049,740	29.01%
Colonial Realty Limited Partnership	Apartment Rental	3,870,360	13.95%
Flagstone Investors Limited Partnership	Apartment Rental	3,752,100	13.52%
Knology of Huntsville, Inc.	Communication Company	1,940,620	6.99%
Wal-Mart Stores East, Inc., #332	Department Store	1,888,440	6.81%
BellSouth Telecommunications	Communication Company	1,781,200	6.42%
Mountain View, LTD	Apartment Rental	1,766,080	6.37%
Charleston Oaks Apartment	Apartment Rental	1,627,720	5.87%
Anderson, Charles W (Estate of)	Real Estate	1,590,720	5.73%
Lowe's Homes Centers, Inc.	Home Improvement Store	<u>1,479,720</u>	<u>5.33%</u>
Totals		<u>\$27,746,700</u>	<u>100.00%</u>

CITY OF MADISON, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2004

Assessed value of real and personal property September 30, 2004		<u>\$ 324,910,320</u>
Debt limit - 20 percent of total assessed value		\$ 64,982,064
Outstanding Debt:		
Bonded debt	\$ 105,785,000	
Bonded debt of Water and Wastewater Board	<u>57,035,000</u>	162,820,000
Less those portions not chargeable to debt limit:		
Water and Sewer Bonds	7,486,501	
School Bonds	61,855,000	
Revenue bonds of Water and Wastewater Board	<u>57,035,000</u>	<u>126,376,501</u>
Total debt chargeable to debt limit		<u>36,443,499</u>
Legal debt margin		<u>\$ 28,538,565</u>

CITY OF MADISON, ALABAMA
RATIO OF GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND GENERAL OBLIGATION BONDED DEBT PER CAPITA
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Bonded Debt per Capita</u>
1995	20,150	\$127,993,800	\$41,789,167	32.65%	\$2,074
1996	23,000	\$127,993,800	\$41,155,833	32.15%	\$1,789
1997	23,500	\$165,972,380	\$40,602,499	24.46%	\$1,728
1998	26,500	\$165,972,380	\$72,110,000	43.45%	\$2,721
1999	28,000	\$211,414,400	\$72,620,000	34.35%	\$2,594
2000	29,000	\$236,958,010	\$75,250,000	31.76%	\$2,595
2001	30,629	\$275,112,520	\$81,955,000	29.79%	\$2,676
2002	31,929	\$295,011,480	\$88,770,000	30.09%	\$2,780
2003	32,626	\$307,166,440	\$108,155,000	35.21%	\$3,315
2004	34,529	\$ 324,910,320	\$ 105,785,000	32.56%	\$3,064

CITY OF MADISON, ALABAMA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT (1)
TO TOTAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service (1)	Total Governmental Expenditures	Ratio of Debt Service to Total Governmental Expenditures
1995	\$ 587,117	\$ 1,604,342	\$ 2,191,459	\$ 11,132,490	19.69%
1996	\$ 634,402	\$ 2,489,042	\$ 3,123,444	\$ 16,487,493	18.94%
1997	\$ 553,333	\$ 2,457,539	\$ 3,010,872	\$ 17,189,966	17.52%
1998	\$ 666,667	\$ 2,523,223	\$ 3,189,890	\$ 21,648,789	14.73%
1999	\$ 847,369	\$ 3,725,395	\$ 4,572,764	\$ 21,199,422	21.57%
2000	\$ 870,000	\$ 3,726,702	\$ 4,596,702	\$ 20,894,035	22.00%
2001	\$ 1,235,000	\$ 3,863,952	\$ 5,098,952	\$ 24,793,386	20.57%
2002	\$ 1,415,000	\$ 4,359,071	\$ 5,774,071	\$ 23,798,525	24.26%
2003	\$ 1,940,000	\$ 5,185,092	\$ 7,125,092	\$ 33,313,551	21.39%
2004	\$ 2,370,000	\$ 5,261,253	\$ 7,631,253	\$ 36,657,047	20.82%

(1) Excludes bond issuance and other costs

CITY OF MADISON, ALABAMA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
September 30, 2004

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City of Madison</u>	<u>Amount Applicable To City of Madison</u>
City of Madison	<u>\$ 105,785,000</u>	100%	<u>\$ 105,785,000</u>

Note: The City of Madison has no Overlapping Debt.

**CITY OF MADISON, ALABAMA
DEMOGRAPHIC STATISTICS
September 30, 2004**

Date of Incorporation	1869
Form of Government	Mayor/Council
Area in square miles	25
Population	34,529

Police and Fire Protection:

Police Station (1-Main Station, 1-Sub Station)	2
Fire Stations	3
Number of Certified Officers	56
Number of Certified Firefighters	49

Culture and Recreation:

Number of Parks	33
Baseball Fields in use	32
Soccer Fields in use	9
Football Fields in use	2
Tennis Courts in use	7
Senior Center	1
Recreation Center	1
Swimming Pools	3

Education:

Elementary Schools	6
Middle Schools	2
High School	1

Full Time City Employees (Budgeted)	161
Part Time City Employees (Budgeted)	42



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Madison, Alabama

We have audited the financial statements of the City of Madison, Alabama as of and for the year ended September 30, 2004, and have issued our report thereon dated March 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Madison, Alabama's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Other matters involving internal control over financial reporting and its operation have been communicated to management in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Madison's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.



Honorable Mayor and City Council
City of Madison, Alabama
Page two

This report is intended for the information of the Mayor, members of City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

MDA Professional Group, P.C.

Huntsville, Alabama
March 30, 2005

MDA PROFESSIONAL GROUP, P.C.

Certified Public Accountants and Business Consultants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Madison, Alabama

Compliance

We have audited the compliance of the City of Madison, Alabama with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The City of Madison, Alabama's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Madison, Alabama's management. Our responsibility is to express an opinion on the City of Madison, Alabama's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Madison, Alabama's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Madison, Alabama's compliance with those requirements.

In our opinion, the City of Madison, Alabama complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.



Honorable Mayor and City Council
City of Madison, Alabama
Page two

Internal Control Over Compliance

The management of the City of Madison, Alabama is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Madison, Alabama's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Mayor, members of City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

MDA Professional Group, P.C.

Huntsville, Alabama
March 30, 2005



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MADISON, ALABAMA

Year ended September 30, 2004

	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Program:			
Bulletproof Vest Program	16.607	-	\$ 3,106
Cops in Schools	16.710	-	95,857
Cops Fast /Universal Hiring Grant	16.710	-	<u>13,200</u>
			112,163
Passed through Alabama Department of Economic and Community Affairs:			
Violence Against Women	16.588	03-WF-LE-007	<u>33,131</u>
<i>TOTAL U.S. DEPARTMENT OF JUSTICE</i>			145,294
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through Northwest-Shoals Community College:			
Highway Safety Grant	20.605	03-DT-163-004	<u>21,000</u>
<i>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</i>			21,000
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Direct Program:			
Assistance to Firefighters Grant/ Wellness and Fitness	83.544	-	<u>103,862</u>
<i>TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY</i>			103,862
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>State Homeland Security Grant:</i>			
Passed through the Alabama Department of Homeland Security:			
State Homeland Security Grant	97.004	3-DE-2-MADISON	167,918
Passed through the Alabama Emergency Management Agency:			
State Homeland Security Grant	97.004	3-DE-2-MADISON	<u>268,992</u>
<i>Subtotal State Homeland Security Grant</i>			436,910
Passed through the Alabama Emergency Management Agency:			
Public Assistance Grant	97.036	FEMA-1549-DR-AL	41,621
Passed through the City of Huntsville:			
Weapons of Mass Destruction Grant	97.004	45HL	<u>56,052</u>
<i>TOTAL SOCIAL SECURITY ADMINISTRATION</i>			<u>534,583</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 804,739</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MADISON, ALABAMA

September 30, 2004

NOTE A - BASIS OF PRESENTATION -

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Madison, Alabama and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MADISON, ALABAMA

Year ended September 30, 2004

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Reportable conditions identified
not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Reportable conditions identified
not considered to be material weaknesses? No

Type of auditors' report issued on compliance
for major programs:

State Homeland Security Grant Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)?

No

Identification of major programs:

CFDA Number

Name of Federal Program

16.007/97.004

State Homeland Security Grant

Dollar threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

No

Section II-Financial Statement Findings:

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

CITY OF MADISON, ALABAMA

Year ended September 30, 2004

Section III-Federal Award Findings and Questioned Costs -

None

